

tial customers for most imported consumer products. Nonetheless, companies which can adapt their products for the low-income population will find ready markets.

The Mexican government is seeking to increase the role of the private sector in the economy. But policies of privatization and deregulation are still new to Mexico. In some cases, new policies have been launched before the mechanisms for their practical implementation have been fully developed. New regulations are sometimes implemented without prior notice. Popular opposition has also inhibited the freedom of the government to proceed with some of its plans.

Political instability is likely to hamper the government's stabilization plans. Massive economic changes have swept through the nation in less than a decade. It is not surprising that a population accustomed to subsidies and protection has reacted with some trepidation. Abrupt changes of policy have become the norm. For example, the government used the distraction of the 1995 Christmas holidays to impose an overnight increase of 140 percent in Mexico City's subway fares. Large income disparities make the political situation even worse. One of the consequences of this instability is that capital is likely to remain scarce and expensive over the medium term.

In spite of recent improvements, Mexico's transportation and communications infrastructure is still poorly developed. Shipments can be delayed at the border for seemingly minor errors in paperwork. Telephone service is unreliable and expensive. Modern data communications are still new to Mexico.

These challenges are important but manageable for companies prepared to establish a long-term presence in Mexico. To be successful in this

HISTORY OF MEXICO

ORIGINS

The origin of the inhabitants of Mexico may be traced back to 50,000 B.C. when the first settlers arrived from Asia across the Bering Strait. It is estimated that by 7000 B.C., agriculture was already established in Mexico.

PRE-HISPANIC PERIOD: 2000 B.C. TO 1521 A.D.

The country was inhabited by many aboriginal groups, most notably the Mayans, who dwelt in the southern region, including what is now Yucatán and neighbouring countries to the south. In the twelfth century A.D., the Aztecs arrived from the north and settled in what is known today as Mexico City and surrounding areas. Initially, they were overshadowed by other indigenous groups in the area, but by the mid-thirteenth century, the Aztecs extended their empire over a large part of present-day Mexico. Despite its imposing appearance, the Aztec empire collapsed within two years of the arrival of the Spaniards in 1519.

THE COLONIAL ERA: 1521 TO 1821

Mexico's colonial administration reserved all government positions for those born in Spain. Local manufacture of even the most basic products was prohibited to ensure a captive market for Spanish goods. These restrictions were increasingly resented by Mexican-born Creoles and Mestizos who now numbered two million people. The outbreak of civil war in 1810 marked the beginning of the end for Spanish colonial rule.

INDEPENDENCE: 1821 TO 1910

Mexico formally gained independence in September 1821. At that time, it covered a vast territory stretching from Oregon to Panama. By 1853, however, after a series of wars, Mexico was reduced to the territory that it occupies today. Its economy was in ruins and the conservatives who had led the country were discredited. Benito Juárez, who came to power in 1848, introduced a new constitution and liberal reforms that alarmed the conservatives. They looked abroad to Napoleon III of France for assistance and a French army under Maximilian von Habsburg drove Juárez from power for a time. Ultimately, the French intervention failed, Maximilian was executed and Juárez resumed the presidency in 1867. Juárez died in office and was succeeded by Porfirio Díaz, whose presidency of 30 years marked the first extended period of peace as well as the onset of industrialization.

THE REVOLUTION: 1910 TO 1929

In 1910, the autocratic Díaz regime was overthrown by a revolution led by Francisco I. Madero, a moderate democrat. The ineffective Madero was soon overthrown and executed by General Huerta. A bloody civil war raged for seven years, during which more than one million Mexicans died. The revolutionary forces finally triumphed in 1917 and introduced a new constitution that reformed land tenure and entrenched the rights of labour unions. The post-revolutionary years, however, were marked by ongoing instability as local warlords refused to submit to the central government.

