7. Import Substitution Industrialization and the Development of Indigenous Enterprises

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As Mexico's industrialization progressed, the leading industries changed from consumer goods to intermediate goods and then on to capital and durable consumer goods. The six cases of indigenous enterprises examined in this book have been the companies at the forefront of the leading industries at each stage. Following the time periods presented in the Introduction that mark the stages of Mexico's industrialization, the consumer goods industry played the leading role during the first period from 1890 to 1940, and the beer brewer Cuauhtémoc and the bread manufacturer Bimbo belong to the enterprises which arose in this period. The second period from 1940 to 1953 marked the shift to the intermediate goods industry, and Fundidora and Hylsa belong to the enterprises of this period. The third period from 1953 to 1962 saw a shift toward the production of capital goods as well, and Grupo México in the nonferrous metal mining industry belongs to the enterprises of this period. The autoparts maker Spicer belongs to the fourth period from 1962 to 1982 during which the capital goods and durable consumer goods industries became the leading industrial sectors. All of these enterprises established their dominant positions in their respective industries during the period of import substitution industrialization, and with the exception of Fundidora, they still continue to dominate their industries, even as Mexico has progressed with market liberalization. Why were these enterprises able to enter the leading industries of each stage and grow into the dominant enterprises of their industries? The analysis in this study indicates that the main factors making such entry and growth possible were the innovativeness of these enterprises along with the supportive policies pursued by the government.

Enterprise Innovativeness

In the Introduction, this author defined the innovativeness of enterprises as the ability of enterprises to correctly understand the requisites of growth, then to resolutely take up the challenge of new ventures in order to prepare the way for growth, then finally to realize growth; and this ability is embodied in the technological, productive, and marketing capabilities of an enterprise. For the enterprises in this study, the requisites of growth were very much determined by the characteristics of the industries they operated in and by the conditions of Mexico's industrial development. The beer brewing and bread manufacturing industries, for example, have common characteristics. The technology is standardized, companies have to build up extensive networks for procuring raw materials and selling products, and they can build up brand loyalty amongst customers through advertising and product promotion. Technologically the impediments to new entrants are low which means it is quite easy for indigenous enterprises to set up in these two industries, and these enterprises have the advantage over foreign companies when establishing networks with customers and raw material suppliers. The requisites for enterprise growth in industries which have these characteristics are: decreasing costs, increasing quality, diversifying products by introducing advanced technology, establishing wide-ranging networks to assure the stable procurement of raw materials and the sale of goods, and cultivating the loyalty of clients through vigorous advertising and product promotion activities. Cuauhtémoc and Bimbo both incorporated these requisites into their business strategies, and by doing so, both companies became "first movers" who quickly secured their dominant positions in their respective industries. At the same time, the ability of both companies to carry out their corporate strategies depended on the progress of Mexico's industrialization. The lack of development of the raw materials sector led Cuauhtémoc to internalize raw material production. Meanwhile the changes in people's life style, the growth of the country's road network, and the spread of mass media that came along with industrial development stimulated the expansion of the domestic market and prepared the way for expanding sales networks and undertaking mass advertising which were major factors for the growth of both companies.

In the steel, nonferrous metal mining, and autoparts industries, the notable feature was the impediments facing indigenous enterprises that tried to enter these industries through their own efforts. One was the huge amount of capital needed to enter and to compete in these industries. In the steel industry at the start of Mexico's industrialization, indigenous enterprises like Fundidora could be primary players in developing the industry, but already by the 1940s, the industry's technological innovations and expanding scale of operations called for enormous outlays of capital, and it became difficult for private enterprise alone to sustain the development of the industry. AHMSA, which had started as a private business, was taken over by the government. Even Fundidora, which was established as a public enterprise, found one of its major problems to be the procurement of funds. Hylsa, however, was an exception. It was able to develop through its own efforts because of support from Cuauhtémoc. In the nonferrous metal mining industry and the autoparts industry, in addition to the need for huge amounts of capital, there were two other barriers: the high level of technology and the preponderance of power that foreign-owned companies had in the domestic market. By the start of the twentieth century, American companies already dominated nonferrous metal mining, and in the autoparts industry foreign companies monopolized the technology and markets. For indigenous enterprises to enter these industries, a mechanism was needed to overcome the impediments to entry. This mechanism was provided by the government which, in the case of the mining industry, was the government's indigenization policy, while for the autoparts industry, it was the government's industrial promotion policies.

The Role of the Government

During the period of import substitution industrialization, the Mexican government actively intervened to promote industrial development through such measures as tariff and import licensing systems, preferential tax treatment and financial subsidies, investment in infrastructure, establishment of public enterprises, and restrictions on foreign capital investment. The government also directly and indirectly supported the growth of indigenous enterprises through its efforts to protect and foster domestic industries, promote investment, and overcome bottlenecks in the economy (Hansen 1971, pp. 44–55; Story 1990, pp. 73–74). The nonferrous metal mining industry and the autoparts industry are the two most outstanding examples that demonstrate the importance of government intervention and support in promoting the growth of indigenous enterprises.

The policy to indigenize the mining industry was adopted because the domination of foreign companies hampered the government's ultimate objective of reviving the industry. Following indigenization, Grupo México and other indigenized enterprises vigorously expanded investment which raised productivity and ultimately led to the revival of the mining industry. With its policy to promote the automobile industry, the government imposed various restrictions on foreign-owned auto assembly companies in order to induce them to foster indigenous autoparts manufacturers. Technological and market deficiencies were overcome with the cooperation of foreign firms, and the autoparts industry developed into a sector dominated by indigenous enterprises.

The policy indigenizing the mining industry and that to promote the automobile industry were both basically policies to restrict foreign participation in the industries, and in both cases these policies were effective in fostering indigenous enterprises. However, policies to restrict foreign participation are not always effective, and as shown in this study, certain conditions are necessary for such policies to be effective. One condition is that the government hold an advantageous position in negotiations with foreign enterprises. For the Mexican government, in the nonferrous metal mining industry, it was the inherent feature of the industry that once investment had been made in mines and other fixed facilities, this capital could not flee overseas. In the autoparts manufacturing industry, it was the existence of an expanding domestic market.

A second condition is finding effective ways of surmounting the barriers inhibiting the market, technology, and financing. In the nonferrous metal mining industry, the policy of allowing minority foreign ownership made it possible for indigenous enterprises to achieve gradually self-reliance in marketing and technology. At the same time, Mexico's expanding domestic market and diminishing ability of major multinational mining companies to dominate the market, provoked by the heightened nationalist feeling in developing countries to keep control of the nation's natural resources in their hands, made it easier to resolve market problems. In autoparts manufacturing the government took up the fostering of indigenous enterprises, and problems connected with the market were solved by securing the cooperation of foreign-owned automobile assembly companies, while problems with technology were overcome through the capital participation of foreign-owned autoparts makers promoted by the intermediation of assembly companies. For financial resources, indigenous enterprises could procure the needed capital from accumulated profits, through overseas borrowing which was secured on the basis of creditworthiness as profitable and growing enterprises, and/or on the basis of their good relations with foreign-owned firms.

A third condition, that was obtaining for Mexico but is lacking today, is the existence of an international environment that is tolerant toward restrictions on foreign capital. The indigenization of the mining industry and promoting of the automobile industry were both begun by the López Mateos government. His presidency overlapped exactly with that of the Cuban revolution, and the international environment due to the prevailing cold war was tolerant of nationalistic economic policies.

A fourth condition is the existence of receptive entrepreneurial talent that can respond effectively to the government's policies. Two of the industries examined in this study, nonferrous metal mining and autoparts manufacturing, showed that the existence of indigenous entrepreneurs who could step into the gap created by restrictions on foreign firms was an important factor for the growth of indigenous enterprises. Entrepreneurs who entered these two industries were ones who in the course of Mexico's industrialization had been able to accumulate capital and business experience, and who had the desire to venture into new fields of business. However, the number of such entrepreneurs was limited, and they lacked sufficient financial resources to venture into new businesses on their own. To overcome this financial insufficiency, other indigenous investors were invited in to participate in the new ventures. When no entrepreneurs came forward to carry out the government's policies, such as in the case of Cananea, the government itself took up the task of managing the enterprises. The reason the government moved into the mining industry after indigenization took place was to supplement weak indigenous private capital. Then thirty years after implementing its indigenization policy, the government introduced privatization and handed Cananea over to Grupo México, a move that demonstrated the extent that the strength of the private sector had grown over the three decades. Seen from the perspective of the fourth condition, it becomes evident that the period before World War II, which has not attracted much scholarly attention, was extremely important in Mexico's process of industrialization. The volume of production during this period was not so large, nor was the rate of growth; but what was very important during this period was the accumulation of indigenous capital and human resources which supported Mexico's later industrial growth.

But while government economic intervention, especially in industries where technological, capital, and market impediments to entry were high, played a major role in supporting the growth of indigenous enterprises, there were also negative effects. These included the growth of a dependence on government support, as exemplified by Fundidora in the steel industry, and the unfairness for private companies which had to compete against public corporations that could rely on public funds and government procurements.

Oligopolization and Division of Spheres of Activity

The analysis of the five industries examined in this study reveals why some enterprises in certain industries grow into oligopolistic enterprises. This means that when looking at Mexico's economy, the analysis of the five industries has the capacity to explain the main features of the national economy, such as the oligopolistic industrial structure and the division of spheres of business activity for indigenous, foreign-owned, and public enterprises.[1] Looking at the problem of the mutually conditioning behavior at work between enterprise growth and Mexico's industrialization process, I would like to seek out the logic for oligopolization and for the division of the spheres of enterprise activity by placing within the industrialization process the five industries examined in this study.

In a classic work discussing industrialization in late-industrializing countries, Alexander Gerschenkron stated that the rapid pace of industrializing and the appearance of giant enterprises right from the early stages were characteristics of industrialization in these countries because it was possible for these countries to take advantage of technological innovations made in the advanced countries (Gerschenkron 1952, pp. 6–8). If this argument is accepted however, it would mean that developing countries are fated to have oligopolistic industrial structures. But the fact is that not all of the industries of these countries are dominated by huge oligopolistic enterprises.

Chandler has provided an instructive argument, cited in Chapter 4, for explaining the types of industries in which giant enterprises arise. In his analysis he argues that the development of new systems of transportation and communications and the innovations in the technology of production that took place starting in the last quarter of the nineteenth century allowed industries to enjoy unprecedented economies of scale and scope. The result in the advanced capitalist countries was that enterprises that undertook large-scale three-pronged investment in production, distribution, and management became first movers in their respective industries and jumped ahead of the competition, thereby assuming dominant positions in their industries. These enterprises continued to grow by expanding their business activities through horizontal and vertical integration, expanding into other regions, and developing new products. Chandler supports his argument with analyses of case studies. The potential for acquiring economies of scale and scope differs according to industry, and giant oligopolistic enterprises do not come forth in every industry. According to Chandler, such enterprises emerge most prominently in capital-intensive industries like foods, chemicals, petroleum, primary metals, machinery, electric equipment, and transport equipment. On the other hand, such enterprises have not arisen in industries like printing and publishing, lumber, furniture, textiles made from natural fibers, apparel, leather, specialized instruments and machinery, and seasonal and specialized food processing. This is because enterprises in these industries for the most part have not had the incentives for three-pronged investment in production, distribution, and management because of the characteristics of the technology which is used (Chandler 1990, pp. 8–45).

In Mexico the separation of capital-intensive and labor-intensive industries very often corresponds to the separation between industries where foreign-owned or indigenous enterprises are dominant. If we follow Chandler's view, the reason that indigenous enterprises have come to dominate labor-intensive industries is because multinational enterprises cannot demonstrate their superiority in these industries even while adhering to the three-pronged investment approach. This makes it possible for indigenous enterprises to compete. But the reason even goes back to the home countries of the multinationals where labor-intensive industries have likewise provided little scope for the emergence of large-scale enterprises which are capable of operating overseas.

But labor-intensive industries are not the concern here as all of the industries examined in this study are capital-intensive and have economies of scale and scope. Also all of the enterprises analyzed were set up with the introduction of the latest technology from the advanced countries, were modern industrial enterprises right from their starts, and with the exception of Hylsa, they succeeded as first movers to dominate their industries. Thus in accordance with Chandler's argument, there was a high probability of oligopolistic systems forming in these industries. However, it is important to note that the entities promoting oligopoly in these industries have been indigenous enterprises. As Chandler points out, if modern industrial enterprises emerge in these industries in the advanced countries, there is a very great possibility that these enterprises will expand overseas, meaning that in Mexico's case there was a great possibility that foreign firms would become active in its capital-intensive industries, and in fact the country's nonferrous metal mining industry was developed by foreign enterprises. Given the superior position of multinational enterprises, how can we explain the dominance of indigenous enterprises in certain capital-intensive industries in Mexico?

This author's analysis provides the following explanations. Within capital-intensive industries there are some industries which are conducive to the entry of indigenous enterprises that have the particular requisites for entry. For the industries examined in this study, one of the features of these industries has been relatively easy access to the latest technology. This is because the industry's technology has become highly standardized and/or because a monopoly on the technology does not guarantee a competitive advantage.[2] Another feature is the existence of products and markets whose particular characteristics give indigenous enterprises a competitive advantage. For example, the characteristics of beer and bread which are heavy and bulky or easily damaged and which have extensive markets help these products avoid competition from imports. If there is competition, it is from foreign enterprises which have acquired production bases within the country, and in the competition among enterprises, the need to invest in distribution which characterizes these industries has worked to the advantage of indigenous entrepreneurs who are knowledgeable about the local markets. Indigenous enterprises can enter industries which have the above features, can compete on an equal footing with foreign firms, and sometimes it is even possible for them to acquire a dominant position in the industry. But this latter result is only a possibility. To actually achieve a dominant position, an indigenous enterprise has to fulfill one requisite condition for a modern enterprise: undertaking three-pronged investment in production, distribution, and management. However, this requisite alone will not be enough when competing with foreign firms which are following the same business strategy. To secure its own dominance, an indigenous enterprise also has to establish itself as the industry's "first mover" before any foreign firms have a chance to enter. This means that the time frame when an enterprise is set up is very important. Haber considered problematic the fact that modern enterprises set up in Mexico at the end of the nineteenth century selected technologies that were out of balance with the scale of the domestic market. However, the fact that indigenous capitalists established modern industrial enterprises at an early stage made it possible for indigenous capital to dominate certain industries and impede the entry of foreign enterprises which was definitely important for later industrial development. In this sense the period before World War II had considerable importance for Mexico's industrialization.

Turning to the capital-intensive industries where the above-discussed conditions were lacking and the impediments to entry were high, how does one explain the dominance of indigenous enterprises in these industries? One reason, of course, was the existence of support from the government. But this explanation alone is not sufficient because, to emphasize yet again, only after indigenous enterprises have fulfilled the requisite condition for a modern industrial enterprise which is the three-pronged investment in production, distribution, and management, can they take full advantage of the support being offered by the government.

A final point I would like to add is that all of the industries analyzed in this study are examples of ones transplanted from the advanced economies. The significant point here is the role of immigrants and the proximity of the advanced economy of the United States. This study has pointed out numerous entrepreneurs who were immigrants or their offspring. Also three of the six enterprises studied have been set up in the city of Monterrey located in the country's northern border zone. The common features of immigrants and border cities have been their easier access to the latest information and their greater opportunities for developing networks linked with the advanced economies. For these reasons Mexico's immigrants and border cities have possessed the favorable conditions needed for the task of transplanting new industries into the domestic economy.

Business Diversification

It was pointed out in the Introduction that the notable characteristic of Mexico's indigenous enterprises is their formation of enterprise groups which control subsidiaries in diverse business fields. The enterprises analyzed in this study conform to this pattern as they are either enterprise groups themselves or are subsidiaries of enterprise groups. In this section I would like to examine how the business diversification of indigenous enterprises is related to the growth and maturation of Mexico's industrialization as seen from the mutually determining effect that exists between enterprise growth and the industrialization process.

From the enterprises examined in this study, there were essentially two main factors that caused them to diversify their business activities. One was the imperfection and instability of the markets, a characteristic of the economic environment for enterprises operating in developing countries. The markets in Mexico for materials of production and for manufactured products were imperfect and unstable. To secure stable supplies of needed materials and goods, reduce transaction costs, and secure outlets for products, these enterprises expanded into related business sectors which enabled them to diversify their business activities. Some of the examples of business diversification into upstream and downstream sectors were Cuauhtémoc's moves into beer bottle and bottle cap production, label printing, packaging, and steel, Grupo México's establishment of smelters and refineries, and Spicer's move into the internal production of basic materials for autoparts. There were various reasons for diversifying: a domestic producer of the items an enterprise needed did not exist, or if a domestic producer existed, monopolies over supply and/or demand made transaction costs high; or importing needed items was hampered by the risk of exchange rate fluctuations or the disruption of wars. These and other reasons made it much more advantageous for indigenous enterprises to diversity into related sectors and internalize the production of raw and basic materials. Another factor behind the move to internalize production was the severe competition among enterprises. When competition among enterprises became fierce, as in the beer and bread manufacturing industries, the internal production of the raw materials they needed for their products and development of their own distribution networks guaranteed their superiority over their competitors and at the same time such internal production and distribution networks acted as barriers to the entry of potential competitors.

A second important factor for diversifying was the existence of business opportunities that derive from the economic circumstances of a developing country. The economic gap between the developing countries and the advanced countries signifies for the former the existence of latent business opportunities. These are only latent opportunities, however. To make them actual business opportunities, there has to be a proper economic environment and agents who can carry out these opportunities. In Mexico, the industrialization process progressed so rapidly that the range of potential business opportunities that entrepreneurs could bring within their sphere of business activities quickly expanded within a short period of time. Some of these latent opportunities were successfully exploited because the entrepreneurs themselves had the ingenuity and talent to turn them into successful business activities, as was the case in the beer, bread, and steel industries. Others were presented to the entrepreneurs as actual business opportunities, as happened in the nonferrous metal mining industry and the autoparts industry. But whether business opportunities were latent or actual, there was only a limited number of entrepreneurs in Mexico who were able to turn these into actual business activities. This entrepreneurial insufficiency was readily apparent in the examples of the nonferrous metal mining and autoparts industries where it was difficult to get indigenous entrepreneurs to enter these industries even though the government was offering them actual, as opposed to latent, business opportunities. This situation of diverse business opportunities existing but only a limited number of entrepreneurs capable of meeting the challenges of these opportunities, made it easy for a small number of businessmen to move into a diversity of new businesses. This resulted in the formation of enterprise groups which controlled a diversified range of businesses.

Salvador Cordero and Rafael Santín see the limitations of Mexico's market as one of the important factors causing indigenous enterprises to diversify their business operations. Because their products lack export competitiveness, they have been limited to the domestic market. But the domestic market is small because of the unequal distribution of income. For this reason, Cordero and Santín argue that when enterprises increased their financial strength, they developed products that largely targeted the upper income brackets where they could expect to make profits, and this has made them diversify their business (Cordero and Santín 1977, p. 15).

This argument that the inequality of income distribution and the limitations of the market caused enterprises to diversify their business cannot be confirmed from the five industries analyzed in this study. A rapid expansion in the scale of existing business operations could be seen in the beer, bread, steel, and nonferrous metal mining industries. The biggest factor for this was the growth of domestic markets. But one cannot see in the enterprises of this study efforts to reduce prices by increasing the scale of production, and further expand markets. Taking the beer industry as an example, competition took place in the areas of advertising and distribution but not in pricing; the market was expanded although prices were not lowered. Cordero and Santín's argument applies to certain industries and certain stages of industrialization; in other words, business diversification targeting the markets in the upper income brackets took place in the durable consumer goods industries, and the time frame for this was from the latter half of the 1960s when those industries were leading Mexico's industrialization which was also the stage when indigenous enterprises were beginning to enter those industries.

Related to the above discussion, the usual explanation why enterprises did not turn to exporting to overcome the limitations of the domestic market is that they lacked export competitiveness. But there is another factor and that was the difficulty of developing export markets. Mexico's industrialization moved ahead by transferring modern industries from the advanced countries to the domestic economy. As industrialization moved into the later stages, enterprises from the advanced countries began to play a larger role in the transfer of industries, and this increasingly took the form of joint ventures and the providing of technology. This development made it extremely difficult for the durable and capital goods industries that had been set up in Mexico to find overseas markets because foreign enterprises that played an important role in transferring industries in Mexico were in firm control of the markets in the advanced countries, and they also had taken over the same industries in the markets of the developing countries where they were shielded by protectionist trade policies. For these reasons it was difficult for Mexico's indigenous enterprises to develop export markets through their own efforts. But there was the possibility of exporting in cooperation with foreign-owned firms. This happened in the autoparts industry where exporting through the distribution networks of foreign enterprises became a rational and realistic choice.

It has often been pointed out that enterprise groups in developing countries have features that closely resemble those of Japan's prewar zaibatsu (Leff 1974, p. 522). If "zaibatsu" is defined as "diversified business operations under the exclusive control of a family or a group of related families with the diversified businesses occupying oligopolistic positions in their respective industrial sectors" (Hashimoto and others 1992, p. 3), Mexico's enterprise groups closely resemble Japan's former zaibatsu in their diversified business operations and their oligopolistic positions in industries, but they differ when it comes to "exclusive" control by a family or group of related families. Among Mexico's enterprise groups, it is not unusual for a family to have a dominant influence over business operations, but never exclusive control. Nathaniel H. Leff states that one characteristic feature of enterprise groups in developing countries is the gathering of funds from sources outside the sphere of the core family, and this sphere can extend over numerous families within the same familial group, same ethnic group, and/or same locality. The features of enterprise groups in Mexico are close to those set forth by Leff. The reason for the loose family control over enterprise groups in developing countries compared with Japan's prewar zaibatsu can be explained by the difference in the stage of industrialization. As industrialization moves into later stages, the intensity of capital and technology increases when introducing new industries. The scale of financing needed to enter new industries becomes enormous making it difficult to procure funds within the same familial group. For this reason, an entrepreneur has to mobilize a far-ranging network of human relations in order to gather the needed funds, and this loosens the control that one family can have over an enterprise group. This argument is supported by the fact that during the 1930s when technology- and capital-intensive industries had become relatively predominant in Japan, no new zaibatsu came into existence (Hashimoto and others 1992, p. 139). In essence, the formation of enterprise groups is a phenomenon characteristic of late-industrializing countries; Japan's zaibatsu can be regarded as one of the types of these enterprise groups conditioned by the stage of industrialization in which they grew up.

Neo-liberal Economic Reforms, Enterprise Transformation, and the Heritage of Import Substitution Industrialization

During the 1980s, Mexico's development strategy shifted from import substitution industrialization to a neo-liberal strategy which did away with many of the protective conditions that had supported the growth of indigenous enterprises during the period of import substitution industrialization. One was the end of protection for the domestic market. With trade liberalization and the wide-ranging reduction of controls on foreign capital, indigenous enterprises were forced to compete against imports and foreign enterprises that entered the domestic market. Government intervention in the economy was also greatly curtailed. Such changes meant that indigenous enterprises could no longer expect to get the government financial and policy support they had previously relied on. At the same time however, the change in development strategy opened new possibilities for indigenous enterprises to grow. The reduction of government intervention in the economy meant a reduction in the sphere of business activities for public enterprises which offered splendid opportunities for indigenous enterprises to expand their own spheres of business activities. Also the moves during this time to reform the financial system and liberalize international financing opened the way for indigenous enterprises to procure funds from international financial markets. Faced with this double-sided change of losing their previous conditions for growth but with new opportunities for growth emerging, many indigenous enterprises moved beyond the domestic market and ventured into overseas markets, endeavoring to strengthen their competitiveness by restructuring their business operations and forming strategic alliances with foreign companies. In recent years these developments have raised the level of exports for Mexican enterprises and increased their overseas production. Looking at some examples of the enterprises examined in this study, Cuauhtémoc expanded its distribution network abroad by means of a strategic alliance with the Canadian brewer Labatt and increased its exports. Hylsa has increased the ratio of its sales coming from exports by selling products and technology overseas. Bimbo has carried out foreign direct investment in the United States and Central and South America which has put it at the forefront of indigenous enterprises in the area of multinationalization. Grupo México acquired stock in Asarco of the United States in 1999 which means that a former subsidiary has now purchased the parent company. Spicer has turned itself into an exporter by further strengthening its relations with overseas automobile and autoparts companies. The reasons such enterprise transformations were possible were firstly because such changes were imperative for the survival and development of the enterprises. But equally importantly, the conditions for such transformations were already prepared within the enterprises themselves. These conditions included: a high level of production and technological capacity and ability to cultivate markets; the international creditworthiness that arises from these capabilities cultivated through years of experience; and the international business networks and relations the enterprises have developed. These capabilities had been formed during the period of import substitution industrialization and became important assets that helped these enterprises carry out their neo-liberal transformation.

The three fundamental characteristics of indigenous enterprises in Mexico that have been emphasized in this study are the oligopolistic domination of the market, the development of diversified business operations, and their concentration in particular industries. The question now is how these three characteristics will change now that the protected domestic market and government support, the two conditions for enterprise growth during the period of import substitution industrialization, have disappeared. Can large-scale indigenous enterprises maintain the monopolistic domination of their markets? How will indigenous enterprises and foreign firms share their particular spheres of business activity as public enterprises disappear and the economy shifts from an industrialization process regulated by government authority to one controlled by market principles? These and other questions are of great interest, but their examination lies beyond the range of the present study. They remain to be answered in future research together with empirical studies on the adaptation of Mexico's indigenous enterprises to a neo-liberal economy.

Notes

1 Concerning the oligopolization of the economy and the division of spheres of business activity, the 1970s are detailed in Fajnzylber and Martínez Tarrago (1976) and Sepúlveda and Chumacero (1973); for the 1980s, see Casar and others (1990).

2 Chandler has pointed out that in the U.S. steel industry, pioneer enterprises promoted the commercialization of technology and that the role of technological development in competition was small. In the case of easily damaged goods like bread and beer, he notes that an enterprise maintains its competitiveness through investment in distribution rather than in production (Chandler 1990,

pp. 127, 139, 166). Rather than monopolize technological innovations and deny their use to other companies, enterprises in these industries prefer to commercialize the innovations and reap the resulting benefits.