

Foreign policy and Mexico's modernization project

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The profound changes that Mexico has experienced since the 1980's have made it necessary to reconsider traditional responses to internal events and re-examine relations with other countries.

Mexico's new approach to foreign affairs seeks to assure our inclusion in the international policy-making process which, by its very nature, tends to be the province of industrialized countries. We should realize, however, that this will occasionally force us to adopt positions which diverge from those of the developing countries with whom we have previously been aligned.

These structural changes in Mexico's foreign policy and the redefinition of our international ties, rather than altering our identity, will enrich our nation and enhance its standing in the sphere of international relations.

Nonetheless, we should not overlook the fact that this will imply adjustments in foreign policy to the extent that we take the same position as certain other groups of countries rather than those of our previous alliances formed under different circumstances.

The modernization of Mexico

The structural reforms carried out by the Mexican government over the last few years have included greater commercial and financial openness to other countries, deregulation of economic activities, reorganization of state participation in the economy, improvements in public finances and reduction of foreign debt servicing.

Continuity in these internal adjustments has kept the economic crisis at bay and prevented social conflict and isolation from the rest of the world from growing any worse. These structural changes and adjustments have significantly improved the country's expectations. Inflation has been controlled, growth rates are beginning to recover and the influx of foreign investment continues.

Inflation rates have been reduced from 200% in 1987 to slightly more than 20% in 1991. GDP has risen from a virtual standstill between 1982 and 1988 to its current growth rate of 5% in real terms. Our country's main export commodities have changed radically, with non-petroleum exports now responsible for 70% of the total. The flow of foreign investment, whether direct or financial, has been

considerable. In 1990, this amounted to 4.5 million dollars, 40% of which was in investment portfolios.

On the international front, these profound changes have been accompanied by a revision of our bilateral and multilateral economic ties, in order to place the country in a dynamic international context. Important steps include Mexico's affiliation with the GATT in August 1986 and measures aimed at modifying the country's relationship with the main economic blocs. Current efforts focus on production, commercial and investment flows, technological resources and the international flow of capital.

Today's world is increasingly characterized by the formation of economic blocs that stimulate internal growth while limiting the possibilities of expansion for non-member countries. Consequently, there is a need to find a way to participate in them.

The tendency to experiment with different types of economic integration is also a result of the difficulties that have beset multilateral trade negotiations within the GATT. The collapse of the GATT would lead to further dispersion of the blocs, increased commercial friction between countries and could possibly have a negative effect on the behavior of international trade. This explains Mexico's interest in forming a new relationship with the United States and Canada, as well as with other countries in Latin America, Europe and Asia.

However, we should not forget that our principal short and medium-term priority should be to strengthen our ties with our main trading partners, because they are not only a source of investment and financing, but also a means of access to new technology. Such agreements should enhance our relationship with First World countries, a group we would like to join in the near future. The fact that the Mexican government recently declared that it

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HIGHLIGHTS OF SEVEN YEARS

March 1985

US President Ronald Reagan and Canadian Prime Minister Brian Mulroney meet. They agree to request their respective ministers to explore the possibilities for reducing and eliminating trade barriers.

September 1985

President Reagan and Prime Minister Mulroney exchange letters of resolution to negotiate a Free Trade Agreement (FTA).

October 1987

US and Canadian negotiators sign a draft of the Agreement.

December 1987

The heads of both delegations ratify the text of the Agreement. The final version is sent to the US Congress and the Canadian Parliament.

January 1989

The FTA between the US and Canada goes into effect.

March 1990

The Wall Street Journal publishes an article asserting that Mexico and the United States have agreed to initiate negotiations to develop a Free Trade Agreement.

April 1990

The Mexican Senate establishes a forum for consultations on the FTA.

June 1990

The US Senate opens hearings on a "fast track" bill that would

allow President George Bush to negotiate directly with President Carlos Salinas. Both Presidents issue a joint communiqué announcing their intention to negotiate a FTA, and instructing their respective trade representatives to explore the possibilities.

August 1990

The Mexican Secretary of Commerce and the US Trade representative meet and issue a joint recommendation to President George Bush, urging that the US and the Mexican President initiate FTA negotiations.

September 1990

President Carlos Salinas appoints an Advisory Committee for FTA negotiations and informs President George Bush that Mexico intends to sign a Free Trade Agreement. President Bush sends a bill to Congress to open negotiations. Canada expresses its desire to join the largest trade bloc in the world.

February 1991

President Salinas, President Bush and Prime Minister Mulroney agree to start trilateral negotiations for a North American FTA.

May 1991

The US House of Representatives votes in favor (231 to 192) of approving the "fast track" for negotiating the FTA with Mexico. The US Senate also approves the motion (59 to

36) to give President Bush the authority to negotiate.

June 1991

Trilateral negotiations between Canada, Mexico and the US open in Toronto, Canada. The issues discussed include access to markets, trade regulations, investment, technology transfer, services and settlement of disputes.

August 1991

The Ministers of Commerce of the three countries meet for a second time in Seattle, Washington. They agree on a gradual reduction of tariffs, to be carried out in three stages, on all products to be imported and exported between the three countries. They resolve to make an in-depth analysis of the restrictions on government purchases in the three nations. In addition, a working group is created to strengthen the Mexican assembly plant program. The governors of the fifty US states express their support for the negotiations.

October 1991

The Ministers of Commerce of the three countries meet for a third time in Zacatecas, Mexico. The meeting is attended by US negotiator Carla Hills, Canadian Minister of Commerce Michael Wilson, and Mexican Secretary of Commerce Jaime Serra Puche, along with their respective negotiating teams. They review the progress of the working

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groups assigned to each of the nineteen major sections of the agreement and call for a draft by January of 1992. They agree to approach labor and the environment as parallel issues, but not to include them in the text of the agreement.

February 1992

The Presidents of the United States and Mexico, George Bush and Carlos Salinas de Gortari, meet in San Antonio, Texas, to discuss progress at the 7th plenary negotiating session, held in Dallas. Progress was reported by 8 of the 18 working groups. Differences persist in such key areas as energy, agriculture and the automotive industry.

March 1992

Agreement on 14 subjects in the general text is sought at meetings held in Mexico, Canada and the US. Joint declaration, by the three chiefs of state, after a telephone conference call on May 17th, to the effect that negotiations are proceeding as planned. 23-27, 8th plenary meeting with chiefs of negotiating teams Julius Katzs, US, Herminio Blanco, Mexico, and John Weeks, Canada. Note taken of points pending and of those settled.

April 1992

6-8, Trade representatives Jaime Serra Puche, Mexico, Michael Wilson, Canada, and Carla Hills, US, join in 5th ministerial meeting in Montreal to discuss and

eliminate differences in the key areas of energy, agriculture and livestock, automotive products and conflict resolution, as a step toward the final phase of negotiations. 27-May 1, 9th Plenary Meeting with chiefs of negotiating teams. Progress is made on energy, automotive products and agriculture, nevertheless differences remain.

May 1992

10th Plenary Meeting in Toronto. Most working groups are closed, leaving only energy, rules of origin, and agriculture and livestock pending. It is reported that high level political decisions will be required to surmount the obstacles remaining in these chapters. It is rumored that the US and Mexico may sign a bilateral agreement on agriculture in view of Canadian insistence on maintaining current marketing systems for agricultural products. The automotive sector is reported to be almost concluded.

June-July 1992

The three nations' chief negotiators meet in Washington, D.C. on several occasions to overcome differences on six of the most controversial issues: financial services, energy, agriculture, the automotive industry, government procurement and trade practices. The 6th ministerial meeting is held in Mexico City, hoping to conclude negotiations. No final text emerges in the light of

persistent differences in key sectors.

August 1992

7th ministerial meeting in Washington, D.C., headed by the Ministers of Commerce of the three countries, with chief negotiators also attending. Following two weeks of anticipation, the end of negotiations is formally announced at daybreak on August 12, after 200 meetings between negotiating teams and 7 ministerial sessions. Complete agreement is reached on the agenda's 22 points, and final revision of most chapters already closed is completed. In a three-way telephone conversation, the US and Mexican Presidents and the Canadian Prime Minister express their approval. They issue a message to their respective nations announcing the result of the negotiations.

October 1992

On October 7, the trade representatives of the three countries "initial" the final legal text of the treaty in San Antonio, Texas. Presidents Bush and Salinas and Prime Minister Mulroney are present as witnesses. It is agreed the NAFTA will enter into force on January 1, 1994, but the date remains subject to two further requirements: its signature by the chiefs of state of the three countries and ratification by their respective Congress.

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intends to join the Organization for Cooperation and Economic Development (a group composed of the main industrialized countries) provides tangible proof of this.

In short, Mexico's current foreign policy is pragmatic. It recognizes the situation prevailing at the end of the 20th Century, searches for new relationships with economic blocs, acknowledges the existence of an international hierarchy, and is motivated by the desire to be one of the policy-makers whose decisions affect the world's economy; all with the aim of furthering the country's development.

The redefinition of international ties

As a result of the measures which our government has taken to internationalize our economy in recent years, a need has arisen to review Mexico's formal bilateral and multilateral relations. The search for new forms of association with other countries assigns priorities based on economic interests. Relations with the developed countries, with whom we do most of our trading, are thus given more weight.

In this new context, we should not entertain any false hopes of acting as a spokesman for developing countries or as an intermediary between them and the developed

countries. Most industrialized countries have very clearly-defined policies regarding their bilateral and multilateral relations with developing countries. This makes an intermediary unnecessary and also enables the developed countries to reward some developing countries and punish others, according to their interests of the moment.

In the past, France relied on her economic strength, her history and a special foreign policy to adopt such an intermediary role on occasion. However, France's recent intervention in the Gulf War on the side of the Allies has lost her moral standing in the eyes of the Third World.

To the extent that we begin to support the economic policies of organizations whose members are mainly or exclusively industrialized countries, and these policies may adversely affect the interests of developing countries, the latter would be unlikely to accept us as intermediaries. On the contrary, they would probably reject our point of view as being associated with interests opposed to theirs. Mexico's new policy toward the First World has motivated Argentina, Brazil and Uruguay to attempt to establish their own free trade zone, the "Mercosur."

Structural changes and redefinition of our relations with other

countries also implies re-thinking Mexico's position on multilateral organizations. The ongoing negotiations for the Uruguay Round of the GATT are a case in point, because Mexico's internal changes now require that we defend positions that we did not previously hold, such as openness to foreign trade and the elimination of subsidies.

Mexico's new policy not only coincides with that of the industrialized countries in the economic arena, but also shares many general principles adopted by the developing countries, as shown by the World Bank's most recent report on development. Mexico has broadly applied the principles of deregulation, greater fiscal and monetary discipline, reduced state ownership, and openness to foreign investment and trade. This has resulted in a division among developing countries so that they can no longer be considered to be a homogenous bloc.

Toward a new foreign policy for Mexico

Development policies based on isolationism and economic self-sufficiency are rapidly becoming obsolete. Closer links with worldwide trends in business, capital and technology are essential.

Mexico's rapprochement with the industrialized countries represents a tacit acceptance of the key role played by economic factors in reaching political decisions which affect the outcome of international events.

Recent changes in Mexico's foreign policy will no doubt further align us with certain developed countries and distance us further from the positions traditionally upheld by developing countries. This is inevitable if we wish to behave realistically in the sphere of international relations. Our policy toward the so-called Third World cannot afford to be the same as it was in the past **M**