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Mexico’s Trade Policy During The Peña Nieto Administration

Master thesis

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Abstract

Despite the efforts of trading with other countries, there is still a dominant economic dependence on the United States due to the NAFTA agreement. The master thesis studies Mexico's trade policy and its effects on trade during the Peña Nieto administration with particular attention paid to how the government has tried to diversify trade. A descriptive analysis is used with research in exports, imports and foreign direct investment.

Abstrakt

Navzdory snahám o obchodování s jinými zeměmi, stále existuje dominantní ekonomická závislost na Spojených státech kvůli dohodě NAFTA. Diplomová práce zkoumá obchodní politiku Mexika a jeho dopady na obchod během administrativy Peña Nieto se zvláštním zřetelem na to, jak se vláda snaží diverzifikovat obchod. Popisná analýza je používána s výzkumem vývozu, dovozu a přímých zahraničních investic.

Klíčová slova

Enrique Peña Nieto, Mexiko, Obchodní politika, Přímé zahraniční investice, Vývoz, Dovoz, Severoamerická dohoda o volném obchodu (NAFTA), Diverzifikace

Keywords

Enrique Peña Nieto, Mexico, Trade Policy, Foreign Direct Investment, Exports, Imports, North American Free Trade Agreement (NAFTA), Diversification

Range of thesis

140,556 characters with spaces

Declaration of Authorship

1. The author hereby declares that he compiled this thesis independently, using only the listed resources and literature.

2. The author hereby declares that all the sources and literature used have been properly cited.

3. The author hereby declares that the thesis has not been used to obtain a different or the same degree.

Prague, May 10th, 2019 **Geovanna Ferrara Torres**

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Master Thesis Proposal

Master Thesis Proposal

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Proposed Topic:

Mexico's trade policy during the Peña Nieto administration

Topic characteristics / Research Question(s):

My thesis will focus on developments of Mexico's trade policy and its effects on trade during the Peña Nieto administration. Despite the efforts of trading with other countries, there is still a dominant economic dependence on the United States due to the NAFTA agreement. At the same time, Mexico has various other trading partner countries which has a substantial economic impact on the country. The top export destinations of Mexico are the United States, Canada, China, Germany, and Japan. Mexico's prominent export sectors include vehicles, integrated circuits, as well as refined petroleum, among others.

Mexico's trade helped the country to achieve a stronger and more globalized economy. Mexico's trade strategy and export potential will be analyzed in this thesis focusing on past failures and future opportunities. The thesis also includes an outlook on selected Mexican sectors to show their changes and impacts in the past years. As foreign direct investment is an essential factor for the global competitiveness of the Mexican economy, FDI flows into Mexico, and their effects on exports are also analyzed.

The thesis focuses on the trade policy of the Mexican government, with special attention paid to how the government has tried to diversify trade in the six-year term of President Peña Nieto. I am going to use real trade data from Mexico's Federal Ministry of Economy, Comtrade, and Organization for Economic Co-operation and Development (OECD), WTO, Bank of Mexico and INEGI. My goal is to demonstrate how Mexico has evolved in the export sector, and in what ways it can be a valuable trading partner for different countries.

Working hypotheses:

1. Mexican trade policy under Peña Nieto administration focused on diversification, and it was successful in this respect.
2. United States limits Mexico's trade potential, FDI and diversification.
3. Past failures trade contributed to new trade strategies in Peña Nieto administration.

Methodology:

The thesis is a case study on Mexican trade policy. The evolution of official trade policy will be confronted with actual data on trade with various trading partners and in key sectors of the economy. Data on FDI will be used to assess continued attractivity of Mexico for foreign partners. As most investments are linked to the export sector, it serves as an essential indicator also for its export potential. These empirical results will serve to address the main hypotheses.

A descriptive technique is the cornerstone of this investigation. The collected data are analyzed in theoretical framework and models on foreign trade, trading partners and commercial structure. Research works related to this topic are used, and descriptive charts with the information collected were elaborated to demonstrate Mexico's trade policy and FDI under Peña Nieto's administration (2012-2018).

An analysis of the behavior of the Mexican trade is conducted within the global context of the last six-year term from Mexico's Federal Ministry of Economy, Comtrade, Organization for Economic Co-operation and Development (OECD), WTO, Bank of Mexico, and INEGI. Then, the study of trade and economic data in Mexico concerning foreign direct investment, export and import sectors per country and region is developed.

Trade forces concerning their geographical situation, the Free Trade Agreements, and their trade negotiations in process, reforms and foreign trade policies are also analyzed.

Finally, having analyzed this six-year term, its strengths and its weaknesses, the results, and conclusions of this thesis and their implications for Mexican trade policy in the future is presented.

Outline:

1. Introduction
2. A brief history of Mexican trade policy – from closed ISI model to open global trade, the role of NAFTA
3. Mexico's export strength and potential
4. Trade policy in the six-year term of President Peña Nieto
5. Trade in the six-year term of President Peña Nieto
6. FDI in the six-year term of President Peña Nieto
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Acronyms

ACE	Economic Complementation Agreements
APPRI	Investment Protection and Reciprocal Investment Agreements
ASPAN	Alliance for the Security and Prosperity Partnership of North America
DPKO	United Nations Department of Peacekeeping Operations
EPN	Enrique Peña Nieto
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Customs Tariffs and Trade
GDP	Gross Domestic Product
INEGI	National Institute of Statistics and Geography
ISI	Import Substitution Industrialization
LAAIA	Latin American Integration Association
NAFTA	North America Free Trade Agreement
OECD	Organization for Economic Co-operation and Development
ONUSAL	United Nations Observer Group in El Salvador
PAN	National Action Party
PEMEX	Mexican Petroleum
PND	National Plan of Development
PRI	Institutional Revolutionary Party
SCT	Communications and Transport Secretary
SEDENA	National Defense Secretariat
SEMAR	Secretariat of the Navy
WITS	World Integration Trade Solution
WTO	World Trade Organization

CHAPTER 1

Introduction

This thesis will analyze Mexico's trade policy during the Peña Nieto administration (2012 – 2018) focusing on diversification and examine if it was successful in this respect. The evolution and structure of Mexico's trade policy, as well as its advantages and competitive weaknesses, will also be scrutinized. In addition, the diversification of NAFTA (North American Free Trade Agreement) will be studied in regard to individual products, commercial partners, application of the conditions established for its operation and statistics describing the achievements obtained.

With this objective in mind, the analysis will mainly focus on Mexico's exports, determining the class of goods and their destination or origin. Also, Mexico's economic development and its competitive advantages allowing for the improvement of economic development and trading partners is discussed.

Due to the geopolitical position of Mexico, it is indisputable that the relationship with the United States will continue to occupy a special place in the nation's different economic activities and foreign policy. However, Mexico needs to strengthen its foreign policy so that its actions have a more significant impact resulting in greater diversification. Indeed, the country has the instruments, significant capabilities, a high potential derived from historical prestige, and an image as a very favorable country in many aspects.

Consequently, by increasing foreign policy resources, the possibility of results with real impacts is created. Therefore, the resources assigned to foreign policy must be treated as an essential investment promoting the national development and well-being of all Mexicans.

This thesis studies the behavior of foreign trade in Mexico and the FDI (Foreign Direct Investment), as well as the leading trade agreements that have been made in order to increase foreign investment and diversify its economy. Included is a careful look at the inevitable dependence on the neighboring country, The United States. The study entailed a documentary investigation that is descriptive throughout.

Among the main results obtained it was found that Mexico has increased its network of treaties and trade agreements with various countries, markets and consumers resulting in better economic development. Currently, it has 12 Free Trade Agreements (FTAs), 32 Investment Protection and Reciprocal Investment Agreements (APPRIs), and 9 Economic Complementation Agreements (ACEs).

All this has been done in order to diversify the country's export capacity and to not only depend on the US market. However, at the same time, this continues to be its leading trading partner since 80% of its foreign trade is with the U.S. The main reasons are due to its geographical location and the skilled inexpensive labor that exists in Mexico. Mexico undoubtedly must continue with the process of foreign trade diversification, which has already begun and includes exports to various countries using the treaties that the country already has. Nevertheless, the modification of the trend will take many years to realize, but more importantly, is the observation that the external sector continues to develop.

International trade in Mexico has enjoyed significant changes over time. These have to do with the historical, cultural and economic moments that the country has experienced. Like the rest of the Latin American countries during the colonial era, the commercial mercantilist system had a commercial exchange with Spain. This was beneficial for the mother country, but not for colonial Mexico. The commercial flow was simply not increasing. This was because the European country is thousands of kilometers away at a time when transport was prolonged. With independence, Mexico’s international trade continued with Europe, likewise with the industrial powers of the time, England and France.

In addition, there was the initiation of the exchange with the U.S. In the framework of Mexico's opening to international trade that took place between 1870 and 1929, the U.S. displaced many of Mexico's main trading partners and then became the dominant partner in the country's foreign trade (Kuntz, 2000). To briefly summarize, the economic relationship with Mexico’s northern neighbor increased rapidly during the 20th century reaching such high levels that an inevitable economic dependency was created.

Mexico, being a mostly closed economy in the past, is now considered an economy open to flows of trade in goods, services, and capital. The nation's strategy of international linkage allows it to continue to raise the value of its economy. This process of opening is related to the phenomenon of economic globalization. Thus, Mexico's participation in the world economy has been based on a strategic link with other countries and high growth regions. Similarly, the country participates actively in multilateral trade negotiations within the framework of the Latin American Integration Association, the World Trade Organization, and the Asia-Pacific Economic Cooperation Forum. Mexico has assumed a leading role in each of them.

Free trade is defined as part of a strategy to promote economic development and social welfare in search of an improvement in the efficiency of the productive sectors and the wise allocation of economic resources, so they are more accessible. Free trade gives a country access to products, services, knowledge, and resources that it would not otherwise have due to certain limitations. It also gives producers and suppliers of goods and services the opportunity to access consumers beyond their borders and facilitates access to technological growth. This allows for transactions to be generated more quickly in order to meet the needs required in order to become competitive in the market in the global scope.

The main purpose of this thesis, as we stated at the beginning, is to cover the essential aspects of Mexico's international trade policy in the 2012-2018 period. However, in this exercise, it was necessary to go back to detail some of the history and changes in Mexican foreign policy. It was during the 1980s, at the moment in which Mexico decided to change the direction of its economic policy—a policy that had been followed for decades--from a closed economy to an open, internationally competitive one. It was in the 1990s that the country subscribed to a large part of the free trade agreements that are currently governing Mexico's international economy.

In Chapter 2 a literature review is presented connecting all the related topics, e.g.; trade policy, its theories, official Mexican documents, and annual governmental reports. Chapter 3 covers the history of Mexican trade, outlook, an overview of Mexican trade policy and commercial behavior in Mexico. Included is a summary of the importance and background of the different sectors which is also documented, such as: the auto industry, the Mexican oil industry, maquiladoras, agriculture, mining, and remittances. Chapter 4 gives the first image of the different findings on the diversification theory of former President Pena's administration. This section presents annual updates that cover trade, as well as that of another Mexican president covering the term of Felipe Calderon. Chapter 5 includes a list of the various government tools to promote diversification. Chapter 6 brings into focus the results of diversification regarding trade and a careful FDI analysis. Finally, Chapter 7 summarizes the important findings and conclusions.

While Mexico has faced difficulties in overcoming the above situations, the world has advanced rapidly, and there is always a risk of being left out of the many processes. Mexico must continue to deepen its commercial relations with the world as a means to improve growth and with it, the prosperity of its population. However, this policy must be accompanied by the strengthening of the internal market, the adoption of public policies already identified that will ultimately allow its competitiveness to reach the levels demanded by modern times.

CHAPTER 2

Literature Review

Primary sources such as statistics, governmental publications and newspapers played a key role in the descriptive thesis. This research relies on statistics from World Integration Trade Solution (WITS), National Institute of Statistics and Geography (INEGI), which is a Mexican statistic agency that accounts with economic information. Annual presidential informs of Enrique Peña Nieto were also used.

Secondary sources for the research, considering the analysis of the comparative advantages of Adam Smith (1776) there is a recognition in the theoretical literature that international trade creates positive benefits to the economy, which defines according to the standard literature of international trade -like movements of production possibilities, that is, an effect on the level of income that is considered. This effect would come from a greater specialization that leads to efficiency gains, exploitation of the use of economies of scale by expanding the market of local firms, lower anti-competitive practices by encouraging external competition (Loayza and Soto, 2002).

Growth models raised the possibility that international trade allows an economy to grow continuously since it could also generate dynamic gains (Grossman y Helpman, 1991), (Lee, 1995), (Coe and Helpman, 1995), that is, they propose displacements of the frontier of production possibilities. The growth rates of the countries relate through international trade and the knowledge incorporated in the goods involved in the process when there is an overflow of knowledge when trading with more technologically advanced countries. This occurs because knowledge is a non-rival good whose use and diffusion can cause side effects and productivity increases.

In summary, the theoretical literature states that international trade promotes the efficient allocation of resources through comparative advantages, allows the dissemination of knowledge and technological progress and encourages competition in both the domestic and international markets. In this way, the economies that trade more can have higher growth rates in the long term instead of only higher income levels, since this interaction with foreign countries stimulates innovation, accelerates the absorption of new ideas and generates an increase in productivity –(Dollar and Kraay, 2003), (Frenquel and Romer, 1999), (Edwards, 1993). However, as the studies of endogenous growth suggest, the effects of trade can be very different for different countries, depending on the situation regarding the possibilities of incorporating technical progress and the specialization patterns that it generates.

The export learning hypothesis postulate that the expansion of exports - principally manufacturing or with higher added value constitutes a key factor for economic growth. This literature proposes that companies that export can achieve increasing returns exploit economies of scale and implement measures that increase their competitiveness. Export learning involves aspects of the production process that includes technological improvements, efficiency incentives - because of competition - and knowledge transfer. Likewise, the increase in exports could produce externalities in the non-tradable sectors given the technical demands and the quality demanded by the buyers of the exported products (Grossman and Helpman, 1991). The mechanism arises when the exporting companies become transmitters of the knowledge acquired in the export process, that is, they introduce technical innovations in the economy, more efficient management styles and promote the development of activities to support exports and improvements of transport infrastructure.

There is a literature that studies the effects of international trade on growth in terms of the economic, social and institutional conditions of the economy. Some countries may not have the institutions, the level of human capital or the level of development to benefit from the advantages of trade. Chang et al (2005) start from a theoretical formalization in which product gains after trade liberalization depend on the degree of flexibility of the labor market and present evidence in panel data, using non-linear specifications that the effect of the opening (volume of trade on GDP) in growth depends on structural characteristics that -in principle- are subject to improvements in economic conditions and institutional reforms. Trade does not stimulate growth in overregulated economies - Bolaky and Freund (2004), the idea is that if the structure of economic activity is rigid, the trade would only have a small impact on the allocation of resources within and between industries and resources would be unable to flow to the most productive sectors. A minimum level of development is required before the benefits of export promotion can materialize. Therefore, when studying the possibility that the effects of trade opening vary with the level of income, find evidence that the effect of trade liberalization on growth is close to zero for low levels of GDP per capita. (Calderon et all., 2005). The effect of trade liberalization on economic growth is more significant if the level of quality of institutions is higher. Finally, from the review of the theoretical literature, in general, it is possible to expect a positive effect of trade on growth. However, it is also plausible that the effect is null. This is due to the impact of trade on growth since economic, social and institutional characteristics determine it.

CHAPTER 3

Mexican Trade through the years

3.1 Brief History of Mexican Trade

Since the earliest civilizations, Mexico has practiced trade, and over the years it has evolved and improved. Mexico has become a country that has many agreements and treaties with other countries in order to facilitate important trade. This shows that despite some identifiable weaknesses, the country is making its way to becoming one of the world's leading exporters.

Prehistoric Trade in Mexico

In 1914, when Mexico was declared an independent country and free of Spanish control, the future of trade became uncertain. But even before this, Mexico already had a foreign trade model. During three centuries of colonization (1521–1821), Mexico, then known as New Spain, had a close trade relationship, for instance, with the Kingdom of Spain.

The most influential export at that time was silver which was the only Mexican product exported in large quantities. Mexico, according to Russel, also introduced corn, potato, peanuts, pineapples, cacao, among other agricultural products to the Old World throughout this period. (Russel, 2010)

During 1820-1870, Mexico faced a rough and challenging time due to the constant fighting between liberals and conservatives caused by a series of political issues. As a result, Mexico damaged its close commercial relations with Europe. In 1822 Mexico became an Empire, when Agustin de Iturbide came to power. He created foreign trade reforms, as well as a "General Internal Tariff of Maritime Customs" in the free trade of the empire.

This document was the first tariff that was applied in the independent period of Mexico. Nevertheless, at the end of this century Mexico was able to strengthen its relationship with several European countries such as Great Britain and France. In 1870 Mexico began its commercial relationship with Germany.

The Aztec Community and its commercial system

Earlier in New World history the Aztec community had a currency similar to the one Mexico has today. It featured management of buying and selling systems, similar to bartering, which were also known as "*tianguis"* or bazaar. In this way, trade as it was known evolved to what it is today. In ancient Tenochtitlan (modern day Mexico City), the "*tianguis*" included trading a variety of products ranging from slaves, grains, ceramic items, precious stones, furs, and all kinds of textiles.

The Aztec community at the time had two types of trade: the metropolitan and the exterior. These early Mexicans were able to build a strong and well-known market in the ancient city's center.

Mexican Trade in the years 1870-1930

During 1870-1930, the approach to export diversification was through a number of exported goods, which included mining, agriculture and livestock. The most productive sectors of the country came from manufacturers, since they included materials that were exported only partly assembled (semi-manufactured). In this way, Mexico learned about the fundamental transformations of raw material. (Ficker, 2009)

El Porfiriato (1876-1911)

During the presidency of Porfirio Díaz, Mexico's economy was favored since the country experienced development and stability. Foreign investment by the United States in Mexico in the mineral resources of the country and foreign trade increased considerably. The two following factors were what characterized this period: protectionism and Import Substitution Industrialization (ISI). (Russel, 2010)

The export sector was the most dynamic in the economy because the value of exports increased from US$27.5 million to more than US$146 million between 1874 and 1910.

The inequalities that have arisen in trade relations between Mexico and the U.S. have been cited as the reason for establishing specific (control) measures in related trade.

In 1883 a Trade Treaty was introduced which established the total exemption (release) of taxes on the products from both countries. Through tariffs, the substitution of imports in various sectors was favored, mainly in manufacturing.

At the end of the 19th century, Mexico had become one of the most protectionist countries in the world due to its tariff measures.

Commercial Alliance in the year 1880

During the 19th century, Mexico was only geographically close to the U.S., as they did not have a strong trade relationship at that time due to the absence of means of adequate transportation. At the end of 1880 the development of the railroad connecting the center of Mexico with border cities and with access to the U.S. really benefited trade.

This event signaled the origin of the commercial alliance with the neighboring country. "The United States became the main market for Mexican exports, and that has not changed since then." (Riguzzi, 2010) Due to the construction of railroads, mining activity increased, especially as the North Atlantic nations were rapidly growing in the industrial sector. (Russel, 2010)

The internal situation of the country during the period of 1910-1917

During 1910-1917, foreign trade in Mexico was affected due to an internal situation and the First World War. The prices of silver and oil abroad were increasing, and this caused a notable "spike" in the country's exports from 1918 to 1921.

The crisis of 1929

The 1929 economic crisis is one of the events with great historical importance worldwide, and it also affected many Latin American countries including Mexico. The crisis was caused by the commercial protection that hindered exports and was accompanied by a high demand for consumer goods.

Recession was presented when the market became saturated, and there came to pass a fall in sales, bank debt, the decrease and analysis of industrial activities, as well as a decrease in purchases and market saturation. (Pérez & Ortega, 2009)

On October 23, 1929, the New York stock market fell producing paralysis of exports in Latin America and a fall in prices of raw materials worldwide.

The problems of the Second World War (1939-1945)

At the beginning of World War II, opportunities for trade and industrialization of Mexico arose. During 1939 - 1945 the European countries were not exporting, and this was an invitation for the U.S. to manufacture and export military products.

Therefore, Mexico took advantage of this situation to export manufactured products such as textiles and foods that were scarce in countries at war, including beverages and raw materials such as iron. During the 1930s, with the completion of the Pan-American Highway, foreign trade in Mexico had the opportunity to expand its trade routes across the land. This became the most important means of transport, even surpassing the railroad, due to the difference that existed in the volume of goods needing transport.

In 1950 Mexico went through a 25-year phase of industrialization. This lasted until oil reserves were found in the Gulf of Mexico. In 1982, the Import Substitution Industrialization (ISI) continued operating and crude petroleum exports increased until they represented 80% of the country’s export value. The Mexican government considered it relevant to diversify its exports at this juncture and initiated the Commercial Industry and Liberalization of Investment phase.

For this reason, the "General Agreement on Customs Tariffs and Trade” (GATT), now known as the "World Trade Organization" (WTO) was created. Eight years later the "North American Free Trade Agreement" (NAFTA) entered into force as the alliance between Canada, Mexico, and the U.S. stimulating new exports and imports. Likewise, Mexico by this time had signed a variety of bilateral and regional trade agreements.

The Industrialization of Mexico (1940-1970)

The economic development of Mexico during this period was really an effort to encourage the development of industrialization through the substitution of imports. This political regime was aimed at protecting the manufacturing rates, which were imposed by the same industries. These protection measures required permits before any import activity and fixed prices on certain goods and prohibitions on the importation of certain products purchased abroad.

This industrial policy was carried out through programs in specific sectors, with the primary purpose of having a manufacturing sector with the capacity to produce capital goods and complex intermediate investments. The degree of local content and the performance that should have been maintained in the export network were considered as requirements.

Progress in Mexican Trade (1982-1988)

In the six-year period 1982-1988, governed by Miguel de la Madrid, a new economy oriented to the international market began. It was the only way out of the productive activity that the country was going through which was known as the "hyperinflation" stage and represented a decade of loss caused by the crisis on the foreign oil debt.

Later, a stage of privatization of parastatal enterprises began. It was a new economic policy that was similar to the "neoliberal" model that is based on the free internal and external market, when taxes on imports were reduced and tariff barriers eliminated. Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986 and NAFTA in 1994. The latter is an international trade agreement that constitutes the elimination of tariffs and the free transit of goods and services originating in Mexico, the U.S. and Canada.

With NAFTA, Mexico improved its competitive level in terms of international exports, and it has had a meritorious improvement in its trade. Mexico's economy and foreign trade were the main factors that have had an impact. In Mexico, the commercial beginning was developed through the acceptance of the multinational organizations and the union of other member countries. As a result of this agreement Mexico's imports and exports became more attractive to the world.

Maritime Trade in Mexico (2004-2011)

Currently, Mexico is ranked within the top 10 economies having more international connections with the world. This requires having logistical space with the characteristics of being a competitive location in order to facilitate the transfer of goods in a practical and efficient way. The seaports, for instance, make possible the transfer of the commercial goods that comprise shipment by sea. Using the maritime routes, they can connect far-flung destination and engage important primary origin nations found in the Americas, Asian and European continents.

In 2012, the statistics of the Communications and Transport Secretary (SCT) showed that maritime transport was second in importance. This was because it had a higher percentage of volume than road transport. The fact is simply that 29% of the value of the imports and 28% of the corresponding exports are carried out by maritime transport. It is known that for each ton of cargo that entered in that year, two were exported. (Camacho, 2013) Currently, it is noted, the country has 117 ports in which the focus is to join different points of origin, using land as well as sea transport. This requires having an adequate port infrastructure allowing for loading and unloading and preparation activities. (SCT, 2017)

Enrique Pena Nieto (2012-2018)

Peña Nieto confirmed that international markets give Mexican companies preferential access to more than 1,100 million potential consumers in 45 nations.

In June, China agreed to remove barriers to the entry of tequila and pork from Mexico for its market.

China and Mexico have also agreed on the creation of high-level groups of businessmen and public officials to explore and expand investment opportunities and review issues that might hinder their mutual relationship.

In 2017 Mexico imported US$420,369 million, making it the 13th largest importer in the world (Edge, 2017). During Pena Nieto's administration, imports increased from US$370,751.41 million in 2012 to US$464,276.60 million in 2017.

Mexico is the 13th largest exporter in the world with US$ 409,451 million. (WTE, 2017)

Actions are taken on foreign policy in the government of Mexico during Enrique Pena Nieto's administration, from 2012 to 2016. In this period, basic principles of Mexican foreign policy that correspond to a long diplomatic tradition that derives from the Constitution of 1917, show essential strategies established in the National Development Plan 2013-2018, and its priorities for the exercise of current foreign relations of the country, the foreign policy of this period focuses on economic issues, specifically foreign investment primarily following the implementation of structural reforms and consequently the preferred mechanism is the Trans-Pacific Partnership (TPP), as the primary tool of integration regional.

With the transition of power from the Institutional Revolutionary Party (PRI) to the National Action Party (PAN) and the arrival of Vicente Fox Quesada to the Presidency in 2000, economization and security of the country's international affairs were observed; the same happened with his predecessor of the same political party, Felipe Calderón Hinojosa.

The arrival of Enrique Pena Nieto meant the return to power of the Institutional Revolutionary Party (PRI), which governed the country for seven decades, the reason why it was expected a turn that would mark the difference of its predecessors.

As president-elect, Peña Nieto traveled to Guatemala, Colombia, Brazil, Chile, Argentina, Peru, France, Germany, England and Spain, and also visited organizations such as the Organization for Economic Co-operation and Development (OECD), establishing as priorities of his political strategy the reduction of poverty, attention to the insecurity that hits the country and economic growth (Romero & Rivera, 2013).

EPN made numerous overseas visits to work, government, state, bilateral, participation in multilateral forums. During these tours, the economic-commercial issue was reinforced.

In his inauguration, on December 1, 2012, Enrique Peña Nieto defined as the objective of his foreign policy the consolidation of Mexico's position in the world. Months later, on May 20, 2013, the National Plan of Development (PND) 2013-2018 was announced (Presidency of the Republic, 2013), in which established five guiding objectives for the government, another of the essential goals "Mexico with global responsibility", is dedicated to the role of the country in international relations, describes actions to promote Mexico, in the words of EPN, "as a nation that defends international law, promotes free trade and is in solidarity with the different peoples of the world"; and it intends to consolidate the country as "an emerging power".

Parallel to intense diplomatic activity, the EPN government has invested in an intense media campaign to rebuild the image of the country abroad, affected by diplomatic mistakes made by previous governments and by internal problems such as insecurity and crime (Pellicer, 2014). Representing high expectations abroad of the arrival of the PRI again. The priority of the public relations campaign was to attract investment and publicize the multiple potentials of Mexico (De Alba, 2014), even though the image of the country raises doubts abroad due to the persistent corruption, insecurity and situation of Human Rights in Mexico, denoted by events such as the disappearance of 43 people in Ayotzinapa, the deaths in Tlatlaya, both in 2014, or the clashes in Nochixtlán in 2016 and the calls to action of organizations such as Amnesty International, Human Rights Watch or the UN High Commissioner for Human Rights.

This six-year term adopted a strategy of opening and closing embassies based on commercial interests, “Mexico, the Americas and the World 2004 - 2014", published by the Economic Research and Teaching Center (Maldonado et.al, 2015), states that the federal government policy, evaluated between Mexican public and general public was precisely foreign policy, highlighting six main foreign policy objectives according to these two groups: protect the environment, combat drug trafficking and organized crime, promote Mexican culture, protect the interests of Mexicans in other countries, promote the sale of Mexican products abroad and attract tourists

On September 24, 2014, the President of Mexico announced the gradual incorporation of Mexico into the United Nations Department of Peacekeeping Operations (DPKO), with military personnel. This would give a gradual change in Mexican foreign policy and numerous protests, condemning the constant violations of human rights in Mexico. The principle of non-intervention was altered, according to Zepeda (2016, p.634), the Mexican Armed Forces, the National Defense Secretariat (SEDENA) and the Secretariat of the Navy (SEMAR). From the government of Salinas de Gortari, there was an existing refusal to take part in the United Nations Department of Peacekeeping Operations (DPKO), under the argument of respect for the principle of non-intervention and the doctrine of Mexican military defense, Peña Nieto was persuaded to send military personnel to peace operations. The situation would have been different if this decision was taken after the Tlatlaya case.

It should be noted that this is not the first time that Mexico participates in the United Nations Department of Peacekeeping Operations (DPKO). In the early nineties, Mexico participated at United Nations Observer Group in El Salvador (ONUSAL), where 120 policemen were sent to El Salvador to help with the pacification of that country, or in East Timor in 2000 where election observers were sent. Mexico's participation in the United Nations Department of Peacekeeping Operations (DPKO) has been restricted to those cases supported by public opinion: natural disasters, institutional reconstruction or technical support; Peña Nieto's determination to gradually send Mexican military to the DPKOs represents a significant change in Mexican foreign policy, as it does not assume commitments that had not been accepted previously. Therefore, for Mexico it was impossible to refuse to participate in DPKO, knowing that the goal of this six-year term is to become "an actor with global responsibility," and that the struggle for international peace and security is in the constitution of the country.

At the beginning of the EPN term, a new phase appeared in bilateral relations with the establishment of a Strategic Partnership in 2013, which sought to institutionalize relations in the areas of energy, tourism, trade, and investment. In this framework, China committed to make investments in up to 81,000 million dollars in Mexico between 2013 and 2018 in infrastructure for communications and transportation and thus expressed its interest to participate in the railway structure, mainly the Queretaro corridor with Mexico City.

China Railway Construction Corporation (CRCC) won the tender to build the High-Speed Train (TAV) between Mexico and Queretaro, but on November 6, 2014, the tender was canceled.

Later the cancellation of another project: Dragon Mart, which aimed to be developed in Cancun, Quintana Roo including a complex with 722 homes, 20 commercial warehouses and 3,000 premises was suspended by the authorities arguing environmental damage after the deforestation of more than 200 hectares, fines were imposed and litigation continues on behalf of the Real Estate Dragon Mart Cancun, to cancel the sanctions.

After these missteps, bilateral relations cooled down. However there have been positive results in terms of energy as a result of the energy reform implemented by President Peña Nieto.

3.2 Importance and background of important trading sectors of Mexico

3.2.1 Auto Industry

The automobile revolution 1940-1970

Highways played a significant role in Mexico's economy as goods were transported to cities that did not have access by rail. Furthermore, roads stimulated the Mexican automobile industry, especially for manufacturers, because it allowed transport at a lower cost. Road construction mainly favored the U.S. auto industry, Mexican auto dealers and Mexican construction companies. Walter Thurston, former U.S. Ambassador, stated in 1947 that the U.S. benefited from the Mexican auto industry when supporting Mexico's road system:

"American export trade benefits in many ways by the augmentation of these communications facilities between the two countries. All of this, in addition to the direct benefit deriving from the sale of new road construction machinery, filling station equipment, and other developments. Additional sales to Mexico of automobiles, trucks, parts and accessories are only some of the items which are eventually bound to enter in a larger volume because of the additional mileage added to the highway system."

Many automobile parts have been imported and assembled in Mexico. In 1962 Mexico underwent restructuring in the auto industry impacting several existing alignments. This was because Mexico was facing pressure from both multinationals and home governments.

Nissan entered the Mexican market after receiving threats to terminate buying Mexico's number one export – cotton. The U.S. Big Three--Chrysler, Ford, and General Motors--were able to enter the market. Thomas Mann, U.S. Ambassador confirmed the notion that it would be largely unfavored by the U.S. if any American auto firm were excluded. This resulted in auto manufacturers being able to mobilize domestic auto dealers and part vendors by making their own manufacturing decisions.

During 1962 and 1966 the number of workers in the auto parts sector had increased from 29,000 to 52,000. The investment rose from US$160 million to US$448 million. This had an impact on the stimulation of glass, steel, aluminum, paint, and plastics manufacturing, as well as machine-tool production. (Russel, 2010)

The auto industry before and after NAFTA

Mexican auto production was prosperous before NAFTA. During 1988 and 1994 domestic cars and truck sales had an increase from 330,965 to 522,350 and exports went from 174,246 to 575,031. One of the benefits of NAFTA was that parts and cars that were produced by any member nation of NAFTA were tariff-free in terms of shipping. (Russel, 2010)

In the late 1990s, the auto industry represented over 22% of all manufactured exports, vehicles and auto parts. This accounts for the most significant element of NAFTA trade. In 2001 this sector created more foreign exchange than tourism or oil exports. The U.S. big three dominated Mexican auto production at the time.

In 2003 General Motors was the largest private corporation in Mexico in sales. The Big Three lost its market share to Japanese producers and as in 2007, they could only account for 35% of the Mexican market share. After NAFTA, Mexico’s auto sector changed noticeably because Nissan, Honda, and BMW all entered the market. In 2004 a Japan-Mexico free trade agreement was signed and brands such as Mazda and Suzuki arrived in Mexico’s marketplace.

The auto sector has had an essential role in Mexico’s economy and as of 2018, it employed 830,0000 workers. The combined effort accounted for a production output of US$85 billion, most of these representing exports to the U.S. (Ornelas, 2018)

3.2.2 Oil Industry

After the oil nationalization in 1938, the Mexican petroleum (PEMEX, Petroleos de Mexico) industry was considered as mainly export-oriented due to the increase in domestic motor vehicle use. Petroleum exports had a pause due to its demand. PEMEX had to reorient its distribution system. After 1938, the need to deliver fuel to users in Mexico was increasing. (Russel, 2010)

Although the policy had drawbacks, PEMEX spurred industrial growth via a strategy of maintaining low prices to boost economic development. This was during the 1940s and 1960s. PEMEX's revenues were low, however, and it had few economic resources for oil exploration. This caused financial setbacks in the majority of the company's investments. By 1958 Mexico had to import oil to meet demand that would continue to increase in the 1960s. (Russel, 2010)

During the Cardenas administration (1934-1940), Pemex considered that oil should be consumed domestically at low costs to stimulate the economy. Therefore, during 1938 and up until 1973 Mexico nearly stopped exporting oil. Until 1973, low oil prices had still not stimulated any increase in production capacity and export. PEMEX management never considered that the company could compete with foreign oil companies. PEMEX abandoned the Cardenas operational mode for two main reasons.

First, there was the overall petroleum trade deficit, since Mexico's demand for oil had exceeded its production in 1970. The second reason was the OPEC-induced oil price increase of 1973. This caused the importation of Mexico's oil to rise to $800 million dollars a year.

Echeverria had different successful strategies that allocated new oil reserves in order to have oil self-sufficiency. In 1974 Mexico was able to meet its domestic needs and began exporting oil. In 1975, since sufficient oil production by Mexican oil had been found. (Russel, 2010)

President López Portillo (1976–1982) expanded oil production and export in response to the national economic crisis and high international oil market prices.

Jorge Díaz Serrano, Pemex's director General, had a strong belief in this regard. In a 1977 speech he stated:

> "Mexico has oil and Pemex can generate income sufficient to resolve current economic problems
> . . . It would be folly not to export as long as we can do so. A failure to export
> would make integral development more difficult and would trap our economy in a vicious cycle caused by insufficient financial resources."

During 1977 and 1982, daily production increased from 0.953 million barrels to

2.242 million barrels. Exports burgeoned from 0.153 million barrels a day to 1.105 million. In 1981 oil export accounted for $15 billion dollars of the total. Petroleum and derivatives were 16.8% of Mexico's exports in 1976, while in 1981 there had been an increase to 74.3%. In 1981, Mexico was the world's fourth-largest oil producer. (Russel, 2010)

The end of the Golden Age of Mexican oil ended in 1982 after the debt crisis as oil was no longer the key factor in Mexico's economic development and foreign debt service and government operating expenses topped oil export revenues. In 1983 oil had declined from 74.8% of exports to 43% in 1987. Concurrently, manufactured exports had increased.

PEMEX relied on U.S. suppliers in regard to oil production equipment and exploration and drilling services. At this time the U.S. consumed most of Mexico's oil exports. (Russel, 2010)

During the Zedillo (1994–2000) administration a PEMEX production increase was pursued and effectively operated. Oil production increased from 3.07 million barrels a day in 1994 to 3.45 million in 2000. (Russel, 2010)

During the Fox administration production increased as a budget was established for oil and gas exploration and production. Therefore, production rose from 3.45 million barrels a day in 2000 to 3.89 million barrels a day in 2004. (Russel, 2010)

Mexico and the U.S. are facing the same scenario, the possibility of running out of oil. Oil is a primary Mexican energy source because it finances a third of all government operations. Furthermore, any decline in its operation is critical for the country, and the same is true for the U.S. Russel points out that during 2005 and 2008, Mexico was the second most important United States oil supplier, after Canada. (Russel, 2010)

The strengthening of energy diplomacy in the case of Mexico has been linked to an energy integration with the North America region, marked explicitly since the beginning of the seventies after the oil embargo in the United States, which showed the vulnerability of this country, since it had a strong dependence on its energy resources by the member countries of OPEC.

A project was initiated to consolidate the energy supply with security schemes, such as regional commercial integration, which, although they were not reflected in the NAFTA context, were subsequently reflected in the context of the Alliance for the Security and Prosperity Partnership of North America (ASPAN).

The administration of President Barack Obama (2009 – 2017) has the premise of consolidating the energy independence of the United States, thanks to the rapid development in the production of unconventional oil and shale gas, but also, thanks to the sum of the Mexican and Canadian energy resources.

In 2013 the High-Level Economic Dialogue was established in which both countries consider the crossing of heavy equipment for the exploration and production of energy to consolidate the North American region as an energy epicenter and betting on the creation of a regional energy block. In 2015, President Enrique Pena Nieto met with President Barack Obama and within the High Level Economic Dialogue, a joint statement was issued saying "we are convinced that a more integrated and efficient regional energy sector based on greater energy cooperation will play a key role to boost the competitiveness and leadership of North America in the future "and in the framework of the Second Ministerial Meeting of said mechanism, the Vice President of the United States Joe Biden declared that" North America will be the epicenter of world energy " (Embassy of the United States of America in Mexico, 2015).

3.2.2 Maquiladoras

Mexican manufacturing plants, also known as maquiladoras, are an essential part of the economy. Maquiladoras produce various products such as auto parts, computers, electronics and apparel.

The maquiladora at the beginning was a plant that assembled or processed elements from a foreign country. The elements were then exported for final details to be completed elsewhere and then sold in a variety of markets. In 1964, Mexican law permitted foreign owners to import machinery and components duty-free in 100 percent of production facilities. Growth in the maquiladora sector depended on a provision in the U.S. tariff code that granted the value added in Mexico to the duty when assembling components that were then shipped back to the U.S.

The growth of the maquiladora was based on low wages, high-quality labor, Mexican government subsidies in border areas, and low transport costs to the U.S. United States managers were enabled to live on the U.S. side of the border and work in Mexico. “Incentives” included low political risk and lax enforcement of labor and environmental regulations.

During the 1990s, maquiladoras had a more sophisticated operation. There was more capital-intensive production of electronics, and computers, plus auto parts were added to the sector. This facilitated the manufacture of components, not just their assembly.

At the beginning of the Fox administration maquiladora employment decreased because China was aggressively exporting to the U.S. market. Russel notes that over 600 maquiladora plants were relocated to China. By 2006, maquiladoras accounted for more than 64% of industrial exports. (Russel, 2010)

3.2.3 Agriculture

NAFTA provided tariff-free import of agricultural products such as bananas and coffee. Products produced by Mexico were finally allowed into the U.S. tariff-free in 1994.

In 2008, corn and beans did not have any tariffs or quotas when crossing the US-Mexican border. The same applied to manufactured products.

During 1994 and 2005, Mexican agricultural exports triplicated to $8.3 billion, while during 1982 and 2007, agricultural imports increased from $1.8 billion to $19.3 billion.

However, FDI in agriculture declined from 1.6 percent of all investment in 1990 to .02 percent in 2001. This was a result of the NAFTA Trade Agreement, as Mexican and American agriculture sectors were competing with each other. (Russel, 2010)

3.2.4 Mining

Mexican mines are considered as symbols of wealth and the mother lode is silver (Russel, 2010) In the 1820s, Mexico relied on mining as a primary economic resource. From a historical perspective it was in 1823 that the government ratified the opening of mining to foreign investment for the first time.

Foreign trade was the economic sector affected the most during Independence. Trade between the United States and Mexico increased as the U.S. replaced Spain because it was looked at as a transshipment point for British goods. These goods arrived in Mexico via New York or New Orleans. Flour and cotton were the major U.S. exports to Mexico at the time. (Russel, 2010)

In 1920, mining produced 9% of GDP and 60% of the country's exports. There were investments in new mining equipment and the demand for silver, lead, zinc and copper increased. All this enhanced the U.S. economy. Before the Revolution, it is noted, Mexico needed foreign capital, technology and access to export markets.

Therefore, foreign investment in mines was welcomed and the mining industry was 95% foreign controlled. In the late 1920s, Mexican mine production fell by 50 percent. This was due to reduced foreign demand during the Depression. By 1940 the mining sector contribution to Mexico's GDP declined to 3.7%. (Russel, 2010)

3.2.5 Remmitances

Remittances play a significant role for Mexico as the second largest country receiving remittances. In 2017, Mexicans sent approximately US$30.6 billion in remittances to Mexico via formal channels, according to World Bank data.

Money sent back to Mexico by the immigrants is money that is lost from the American Economy. As of 2017, these remittances represented about three percent of the country's gross domestic product (GDP). This is an amount that has not seen since 2006. Mexican migrants send approximately US$292 monthly. In 2017, Mexico received US$28,771 million dollars in remittances. The states of Michoacán, Jalisco, and Guanajuato were the first destination states. Remittances mainly come from Texas and California. (World Bank data, 2018)

Mexico has become one of the leading countries receiving remittances coming mainly from the U.S. Currently, international remittances are the second source of foreign currency at the national level. These remittances have become an important source of income for Mexican families since they involve one out of five Mexican households. In the case of rural areas, the proportion is one out of two households according to Delgado. (Delgado, 2004)

Mexico is the fourth emerging economy with the highest percentage of remittances received in the world, after India, China and the Philippines (2% of GDP). This flow of remittances is almost one-fifth of the total outflows of money from the U.S.

According to the World Bank, the United States - Mexico corridor is the first in remittances in the world. The importance of remittances for the Mexican economy is immense, and according to the Central Bank of Mexico, remittances in 2015 reached US$25,000 million. This is more than Mexico obtains from its oil exports. (Mundo, 2017)

Remittances are considered as a monetary flow related to migratory movement in the world. During 2000 and 2017, the number of migrants worldwide increased almost 50%, going from 173 to 258 million people. In the same period the flow of remittances almost quadrupled, increasing from US$127,000 to 596,000 million per year.

According to the Yearbook of Migration and Remittances 2018, prepared by the National Population Council (CONAPO) and BBVA Research Mexico, the largest remittance sender in the world is the United States, the oil countries of the Arabian Peninsula and the leading economies of western Europe. Other important receivers are India, China, the Philippines, Mexico, France, and Nigeria. (Fundación BBVA Bancomer & Secretaría de Gobernación , 2018)

Remittances in 2017 grew 6.6%, and between 2013 and 2017 they rose almost 30%, averaging an annual growth rate of 6.6%. Most of the remittances received by Mexico come from the U.S. (94.7% in 2017), followed in order of importance by Canada (1.2%) and the United Kingdom (UK) (0.3%). All these shipments arrive in Mexico by electronic transfer (97.5%). The proportion in cash or kind is (1.9%) and by money order or bank transfer (0.6%). (Fundación BBVA Bancomer & Secretaría de Gobernación , 2018)

Remittances overtook oil revenues for the first time as a source of foreign income in 2015, and remittances were higher in 2014 by 4.75%, according to the Bank of Mexico. They have never surpassed petroleum since the Bank of Mexico began tracking them in 1995. (NBC News, 2016)

Remittances play an essential role in the Mexican economy, as they increased 18% in the last five years. During this time oil revenues from crude and refined products decreased by 68%. As of 2017, remittances overtook oil as a more significant share of Mexican GDP. (Americas Society / Council of the Americas, 2017)

3.3 Outlook of Mexican Trade

> "Mexico has signed a large number of preferential agreements, which play an increasingly important role in its trade policy. In addition to the NAFTA, the CAFTA-DR and the Association Agreement with the European Union, Mexico has also signed free trade agreements with Chile, Colombia, EFTA, Israel, Japan, Panama, Peru and Uruguay. It also belongs to the Pacific Alliance with Chile, Colombia and Peru." (WTO, 2017)

Mexico has an open economy and regulates commercial activity based on international laws and policies that are based in a free market system. The effectiveness of developing relationships will depend to a large extent on a companies' resources, their production level and the use of the commercial agreements held by the given country.

In an international competition perspective, in which Mexico confirms its openness through international treaties; developing factors that improve business opportunities should be considered, as it enhances a healthy market diversification through the various treaties that Mexico has agreed to. Currently, the export sector contributes significantly to Mexico's Gross Domestic Product (GDP). A continuous dependent relationship exists towards the United States that monopolizes nearly 80% of the total exporting capacity of Mexico. The cause-effect relationship here results in a strong economic dependence in the U.S.

The United States-Mexico-Canada Agreement (USMCA), before it was called the North American Free Trade Agreement (NAFTA), is the treaty most used by Mexican trade. There is a lack of knowledge of other commercial agreements, which can lead to discovering new ways of doing business internationally. This is the case of the Mexico-European Union Free Trade Agreement (FTA EU-MX). The agreement proposes cooperation in various sectors, focusing opportunities in favor of national companies.

The change in the economic policy within the government of President Miguel de la Madrid began with the structural reforms of the State and modernization and new regulation to the industry; and the elimination of the Import Substitution Industrialization (ISI). A commercial transition begins in Mexico, with regulated participation by the State in the administrative sector of the country's goods and services, with greater participation of the national and foreign private sector.

The economy of the country was modified in the 80’s, due to the problems triggered by the fall in the price of oil and the strong dependence of this resource on the part of the country's economy. The main short-term consequences were the devaluation of the currency in the summer of 1982 and a moratorium on payment to creditor banks throughout the 1980s. With the suspension of loans, low oil sales and poor administration of resources, chaos was created in financial markets. Inflation, capital flight, and the slowdown of the economic growth system resulted. These were the conflicts that forced those who were concerned to seek a reorientation of the Mexican economic model.

The privatization of the banking system, the progressive opening of trade, deregulation and microeconomic reform were the reasons for which NAFTA negotiations first took place in 1990. The goal at the time was a complete opening to the region’s economy. Thus, initiating a process of integration in the North American zone, liberation to trade, investment, protection of intellectual property, modification of the restriction on investment by foreign capital in Mexico were realized.

This aroused new interests within the three countries and their industrial sectors. Mexico remarkably improved its commercial relationship in North America, going from a deficit to a stronger relationship with the U.S. Canada and the United States were in favor of improving competitiveness, boosting development and thus, these measures would discourage the illegal migration of Mexicans due to poverty. But this did not happen and even increased in the first years of the agreement. In fact, it even decreased during Peña Nieto’s administration.

On the other hand, in 1975 the first global agreement between Mexico and the European Community was signed. Later, in 1991, the Cooperation Framework was signed. It was considered an agreement of the third generation but led to the Joint Declaration and the beginning of the negotiation of a new political, economic and cooperation agreement. This was during the presidency of President Ernesto Zedillo in 1995 and created "The New Global Agreement." This was an Interim agreement and the promulgation of the signature of the Final Act in 1997 and FTA EU-MX entered into force on July 1, 2000.

Economic elements that justified the negotiation of the FTA were considered such as deepening and consolidating the process of economic modernization of the country, trade liberalization, elimination of discrimination in the Mexican market for European investments. In this way it allowed development of the right conditions for the access of Mexican products into the European market.

At the beginning of this century the FTA EU-MX became the most ambitious trade agreement that Mexico had agreed upon. It specified identifiable development goals set up in areas such as industry, mining, intellectual property, science and technology. Also included were fisheries, energy, environmental protection, services (including financial), communications and transportation. Also, tourism, information technology, investment promotion, public health, fight against drugs and commerce were included.

With this agreement, the European Union (EU) developed tariffs similar to NAFTA, meet the parameters of the WTO, which cover matters related to government purchases, competition policies and intellectual property rights.

The use of these treaties provided opportunities for enterprise development and the market had been opened to 80% through NAFTA and the FTA EU-MX. This happened under a consolidated liberalization with the two most potent commercial powers worldwide. The EU is the leading trading partner of developing countries, in trade and trade aid, as well as direct investment.

FTA EU-MX seeks within its 11 chapters, an effort to dialogue, support joint work on policy issues, cooperation, education, scientific, technological and cultural contributions as a fundamental part of a socially responsible treaty.

Mexico is in the process of dynamic integration integrating its relations with the world. Several aspects have been an essential part of this global unification process, such as media, education, environmental problems, improvements regarding democracy, drug trafficking, human rights, terrorism, labor, trade development, and financial activities. The above factors are all interrelated with the process of Mexico's internationalization.

Mexico's foreign policy throughout the last few years has served as a basis for negotiations with several countries of the world. This is a clear example of the variety of trade agreements that Mexico has signed, each reflecting the needs and situations throughout the country. Another consideration are the constant changes in the world during the last decades, and how they have affected and guided relations with third countries.

Highlighting the changes that allowed a restructuring of the Import Substitution Industrialization (ISI), is the idea of inward growth. This is understood as one of the productive forces in the country and has been replaced by an outside openness based on competitiveness.

Mexico in 1986 joined the international trade system GATT (General Agreement on Trade and Tariffs). This presented a positive change on the opening and modernity of the national economic system. As a result, it redefined a growth policy in favor of trade and Mexico's development promotion. All this was done according to the paradigms of international trade that was expanding in much of the industrialized world. (Russel, 2010)

During the 90's geopolitical elements were added that promoted Mexico's participation in the North American Free Trade Agreement (NAFTA). Thus, new investment opportunities were promoted in Mexico. This total opening of trade with North America, included factors that were considered prior to the signing of the Free Trade Agreement between Mexico and the European Union (FTA EU-MX), played a role in NAFTA's success.

If we analyze NAFTA, we can see it created a new commercial opportunity for Mexico. In reality with all its commercial opening in North America, the pact left few opportunities for participation by European companies. In order to strengthen the relationship, Mexico signed a series of agreements with the EU such as a new Global Agreement, the Interim Agreement and the Final Act in 1997, thereby creating the new trade guidelines between Mexico and the EU.

This Treaty covered issues in favor of promoting cooperation and support for social development projects, raising new opportunities for Mexican trade.

The constitutional elements allowed for the creation of a Commercial Treaty that was set by constitutional principles, contemplating the changes that were executed from the Government of President Miguel de la Madrid (1982 - 1988).

In the Mexican Constitution we can find guidelines making valid a commercial treaty in line with the national laws. Precisely, within article 133 of the Constitution, the guidelines for specifying and validating a treaty are expressed in the Third Title, Chapter III of the Executive Power, Article 89 in fraction X. Here it covers topics related to the power granted to the President to manage foreign policy and administrate international treaties, as well as terminate, denounce, suspend, modify, amend, withdraw reserves and formulate interpretative declarations on them, and even subjecting them to Senate approval. (Constitucion de Mexico, 2017)

The change in political and economic life can be seen in the Government of President Miguel de la Madrid, where structural reforms in the State and industry regulation were initiated. It started in Mexico with a commercial transition and regulated participation by the State in matters of country's administration of goods and services, providing greater participation in both national and foreign private sectors.

The changes to the economic system in the 80’s are important to note as they stemmed from the problems triggered by the fall in the price of oil and the strong dependence on this resource by the country's economy. The devaluation of currency in 1982 and cessation of the payment to creditor banks throughout the 80’s were the result of resource mismanagement and the fall in Mexico’s international credit. All this reflected a great fall of the financial sector, inflation, capital flight and deceleration of the economic growth system. These were the main reasons that forced a search for reorientation of the Mexican economic model.

In this way, the solution to the crisis came with concrete measures attracting investment, privatizing parastatal enterprises, selling public banks and reducing the bureaucratic system. This was how the path to national economic recovery was created.

This argument supports the notion of integration by Mexico with the General Agreement on Tariffs and Trade (GATT), the forerunner of the WTO. This entity regulates the activity of international trade. Mexico had experienced a necessary change in the laws that governed its trade with the world, and ended up modifying the regulatory law as to foreign trade, and in the process avoided anti-dumping practices. (Seade, 1995)

Considering the above, as a result of the privatization of the banking system, the progressive opening of trade, fiscal deregulation, and microeconomic reform, in 1990 NAFTA negotiations began. Activities were initiated on January 1, 1994. Previously there had been no such relevant trade agreement that would involve so many parties. Ultimately it would come to represent one of the world’s most attractive investment markets.

As a result, trade liberalization, investment, intellectual property protection, adjustment of the restriction to investment by foreign capital in Mexico was achieved. This created considerable interest within the three North American partner countries and their respective business sectors.

It was a remarkable improvement for Mexico in its commercial relations with its northern neighbors, where the statistics went from a deficit to a surplus relationship.

The existence of trade between Mexico and the EU is interesting. It included a commercial exchange with the European Community, which began in the 70's with the signing of the first Global Agreement between Mexico and the said community in 1975. This was renewed in 1980. On April 26, 1991, the cooperation framework, with President Carlos Salinas de Gortari was signed. This was repeated in the presidency of Ernesto Zedillo (1994 – 2000) It was reaffirmed on the basis of "The New Global Agreement." (FTA EU-MX's,1997)

Economic factors justified the negotiation of the FTA EU-MX, such as strengthening and merging the process of modernization of the country's economy This made trade with the European Union stronger, reciprocally elimination of market discrimination, stimulated gradual trade liberalization, as well as totally opening trade with the EU.

This agreement was considered as one of the most ambitious trade agreements to have existed, considering the EU was at the transatlantic level. The EU won a tariff reduction similar to NAFTA, in compliance with the guidelines of the WTO. A future forecast for Mexico is that its economic structure would remain dependent on the U.S., even though Mexico has in its business sector the open opportunity to redirect its trade with other economies.

3.4 Commercial economy Behavior in Mexico

The commercial economy in Mexico is an important sector to encourage and enhance its participation in foreign trade, contributing to the economic and social development of the country.

Given the internationalization of today’s global economies, Mexico owns a commercial economy. The Mexican economy has evolved from a national to an international economy intent on being more efficient, proactive and competitive in both production costs and quality issues. Implicit in this dynamic is carrying out close and strategic relations between the government, various agencies and companies. Prospecting and looking for a positive collaboration that encourages national production, international trade, and foreign investment and likewise creating job opportunities is essential. The effort strengthens the domestic market and increases exports. Therefore, it is reflected in an increase in economic opportunity and social welfare. This allows for a better quality of life for the Mexican population.

Mexico focuses on the main fundamentals of the commercial economy, such as the strengthening of SMEs, the promotion of exports, trade opening and the attraction of foreign investment. The first has a significant impact in creating job opportunities and the second is considered an economic activity that demands domestic production of goods and services. This increases the income of the economy and exportation.

The commercial opening and attraction of foreign investment reflect Mexico's ability to conduct business with the world. The signing of agreements for the promotion and reciprocal protection of investments (APPRIs) has strengthened the protection of foreign investment in Mexico for domestic and foreign investors. It has attracted foreign direct investment to various sectors and increased domestic production.

Mexico is considered a competitive country for profitable businesses due to its productivity, labor cost, the location of the country having lower costs in terms of transport.

The country has been able to adapt to the world economy with a favorable commercial economy. Mexico has consolidated its commercial activity with two major world powers: the U.S. and the European Union (EU). It has made the external sector the most dynamic in the country.

Due to the stable behavior of the commercial economy, exports have increased in volume as well as market share, indicating a better acceptance of Mexican products in international markets.

The country together with different organisms are working to make the export sector even more competitive. The goal is expansion of foreign markets as well as the diversification of export products.

Mexico represents a range of options for foreign companies interested in investing in the country. It should be pointed out that the main characteristics to highlight in terms of trade in Mexico is that it has an extensive network of trade agreements, with a coverage of 43 countries and preferential access to an impressive one billion potential consumers. It is well connected by the different air, sea, land, and railway systems.

According to the Economic Complexity Index (ECI), Mexico is the 9th largest export economy in the world and takes the 21st place as the most sophisticated economy. The country currently has 12 free trade agreements (FTAs) with 46 countries and seven partial scope agreements within the framework of the Latin American Integration Association. (LAAIA) (WTO,2017)

CHAPTER 4

Trade Diversification in Mexico

The efforts to diversify relations with the outside world is one of the constants of Mexico’s international projection.

Many countries were colonies and understood diversification as synonymous with independence. Mexico's diversification efforts were abolished by the imposition of the virtual tutelage of the Monroe Doctrine (The Monroe Doctrine, synthesized in the phrase "America for Americans") was elaborated by John Quincy Adams and attributed to President James Monroe in 1823.

He established that any intervention by Europeans in America would be an act of aggression that would require intervention by the United States of America.

Due to the remoteness of political and economic power centers, and the internal complications that did not benefit those involved in Mexico's foreign trade policy, this resulted in isolation.

> In 1867, President Benito Juarez said before the Congress that the Mexican Republic emerged strongest in the interior and was more respected abroad. He commented on the fight against European intervention, with the only company "solidary but distant" in Latin America.

During the Porfiriato period (1876 – 1911), diversification was mainly based on attracting European investment and migrations from the Far East. At that time, a development model was based on the nationalization of resources and services, the substitution of imports and the limitation of foreign capital. Diversification occurs in the political arena; multilateral diplomacy arose creating an opportunity for Mexico to get in touch with distant countries.

During the Second World War Mexico understood that diversification guarantees autonomy, concentration, higher bargaining power and the possibility of taking advantage of limited resources.

In the postwar period, advances in means of transportation take Mexico's geographical position as a considerable comparative advantage.

The 1982 Mexican crisis came first and the 1989 world crisis afterwards. The development model and international environment of a protectionist economy were transformed to a more stable economy. Mexico attracted openness, promotion of exports, and had the possibility of entering into a process of globalization and interdependence that reached international projections.

President Carlos Salinas de Gortari (1988 – 1994) commented:

> "Through diversification we balance the intense relationship with our powerful neighbors, bringing closer friends and, particularly, the nations of our greatest cultural and historical affinities. Diversification is the policy for a world of several economic centers and one where the only military is for a defense of sovereignty and promotion of national interests coming at the end of the cold war."

Importance of Mexico as a significant market and its different ways of diversification

The international environment demands the diversification of markets since it is a necessity and a great alternative. The development that has been achieved by the production processes and the transportation industry facilitates diversification, and we know that Mexico participates in the global markets as a nation open to trade and investment.

Foreign trade diversification is an important key to assess the degree of a countries development, and usually is analyzed in relation to the destination of the imports, their origin and composition of the products that are exchanged In addition there are factors such as the degree of openness of the national economies and their participation in the markets of the partner countries. Diversification is an essential issue for foreign trade to function as an active promoter of a country's development.

In the actively globalized world scenario one is invited to get to know and take advantage of the extensive international markets. In the case of Mexico, foreign trade diversification is far from completeness as the attractiveness of the neighboring market plays a strong influence on the mentality of the Mexican producer-exporter. The impact results in reducing interest in the efforts to conquer other markets in Latin America, Europe, Asia, and Africa.

Although foreign trade is equivalent to 70% of our GDP, its scale is reduced in terms of its offer and composition. The variety of commercial exchanges in Mexico is limited. Many current exports are primarily composed of manufacturing in which products are manufactured with imported components. In the vast majority Mexican industry does not produce articles, but only assembles them.

In 2015, for example, the automotive industry with its replacements and spare parts contributed 34.5% of the total manufactures in Mexican exports. Today, Mexico is the seventh largest car exporter in the world, with an integration of around 30%.

The maquiladoras as the assemblers of a great variety of products have become one of the primary sources of employment. In 2015, 13% of the workers were employed in 5,000 maquiladoras. The diversification of foreign trade has come to life through international initiatives.

North American Free Trade Agreement

Ten years after the entry into GATT, the North American Free Trade Agreement (NAFTA) was negotiated and an economic alliance with the U.S. and Canada was formed. This meant leaving behind the attempts of association with Latin America, changing referents and thus linking the country’s progress with the north countries. This meant being a member of the Organization for Economic Cooperation and Development (OECD).

It has been 23 years since the creation of NAFTA and the pact continues to fulfill its purpose of boosting exports from Mexico to the North American market, particularly to the United States. The exchanges have increased, but the diversification of destinations for our sales has been suspended. NAFTA added the importance of origin rules to define the likelihood of diversification of large productive sectors.

Depending on the national or regional origin, the decision of the producers on the integration of their products is encouraged or discouraged. The issue is important for specific industries, including automotive, pharmaceutical and clothing.

The importance and priority of the components

From January to October 2016, the total deficit of the U.S. in its trade with Mexico was US$123 billion. In its accurate dimension, If the value of its North American components is subtracted from Mexican exports to the U.S., the resulting deficit is lower than the one usually cited. It is estimated, for example, that the Mexican content is only 29% in the cars assembled in Mexico. This leaves a wide margin to probable American components being used and emphasizes the importance of acquiring foreign input trade in the plants for finished products.

World industrial production is spreading to an increasing number of plants that in turn need more foreign components for their final products. In this regard, there exists growth in the international exchange for a large number of components that countries import for their industries. The more assembly plants, the higher the demand for components that Mexico can manufacture and offer to this growing market. This is considered a more advanced stage of foreign trade, where the components arrive in a cheaper way to join the processes of finished products in plants connected to the consumption centers. Taking as an advantage the maritime and air transport and modern delivery systems context, the global trade in components provides greater prospects for Mexican SMEs.

SMEs and foreign trade

Small and medium enterprises and foreign trade in Mexico

Over four million small and medium enterprises create 72% of the national employment and contribute 52% of the GDP. Only 10% of the inputs used by the maquiladora industry are national and only 9% of these are exports. SMEs are the ones that integrate Mexico into the new world trade stage, focused on manufacturing industrial components for the assemblers as they are required.

Thirty-two million individuals between 15 and 39 years old, 25.6% of the population, are ready to join this new platform of world trade not only in manufacturing, but also as an integral part of process and product innovation, agricultural diversification, in addition to industrial and service operations. Talented new workers are progressively being absorbed in this sector.

Production agreements

Solidity in productive agreements

The strategies of international trade are not only an exchange of physical products, but also diversification in our world markets is a way to use methods of interaction and creation of societies in which both the exporter and the importer invest. The latter must share contacts, technologies, and information about markets, in addition to defending projects before authorities and maintaining loyal permanent relationships in the process are required.

There is an excellent variety of products offered by Mexico, and they coincide with those the country imports from the same countries with which we have signed commercial agreements and whose markets we want to conquer. This is where Mexican companies must join with their counterparts to define and implement practices that respect international and local standards.

Worldwide diversification

Diversification on the global scale

Mexico has well served its relations in the Latin American market. Now Brazil and Argentina are added to the Pacific Alliance and is the most recent program of a regional association. The group is one which now has possibilities for expansion throughout the east with Asian countries such as South Korea, Indonesia, and the Philippines.

The quality and success of Mexican products in open national markets confirms the competitiveness that Mexico enjoys alongside other exporters that do not especially enjoy preferential treatment.

Mexico is the second largest supplier in the U.S. market with a 13% share. If it were any more Mexico would be entering into direct competition with China, a country whose costs tend to always be on the rise since they continue to increase production costs and wages. Mexico will have the opportunity in this context to diversify and identify its global offer using modern logistics while making the most of its valuable geographical advantages.

China is keen to enter our market and offer significant investments in infrastructure. This indicates prospects for a different and profitable relationship, if we could only diversify our economy having only evidentiary knowledge and awareness of political purposes that China visualizes in its respective expansion.

India is the other demographic giant that is sensitized to Western needs, and this is how we could obtain benefits from both parties.

Final comment

The process of diversification of our foreign trade has undergone several stages in recent years. At the present time the phenomenon of diversification is expressed in an abundance of regional and intercontinental agreements. This can be seen in the national plans of countries that undertake their development in an independent way. At the same time Mexico is working hard on diversification and will try to consolidate business as usual as a reliable, safe and prosperous nation perfect for investment.

This means committing to protect domestic and foreign investments, calling on state institutions, companies, and society to work together for the benefit of all the country. Mexico will work hard on its foreign policy and above all should strengthen its trade and state relations with its neighbor the U.S., since dialogue and negotiation will be the key to growth between the U.S. and Mexico. It is the juncture where political, commercial and investment will come together to strengthen Mexico in the world at this stage of diversification. (Bancomext, 2017)

4.1 Comments on Speech by President Enrique Peña Nieto on the Mexico-United States relationship

The importance of defining foreign trade policy objectives that Mexico will take, plays an essential role in global responsibility, apart from the constitutional mandates. Mexico will continue working hard on a foreign trade policy that also makes a real contribution to Mexico's internal development.

> EPN reaffirms Mexico as a nation open to the world commercially with universal participation in global markets featuring excellent services and products. However, as a dynamic society we must redefine our relationship with the new government of our neighboring country, the U.S. (Nieto, 2017)

Foreign policy in the following years has had two major priorities:

First, strengthen Mexico's presence in the world in order to diversify its political, commercial, investment, tourism and cooperation ties.

As for the diversification strategy, it is with the U.S. that our largest economic exchanges are concentrated. But it is widely agreed that we must take advantage of the opportunities with the whole world because of our privileged geographical location between the Atlantic and Pacific oceans. Mexico is a logistics center for global trade flows and acts as an east-west and north-south bridge between different regions and hemispheres of the world. For this important reason Mexico must increase the diversification of its excellent political and economic relationships.

The Mexican government must have a balanced agenda to expand exports and sources of investment, as well as actively participate in the improvement of multilateral forums and international trade mechanisms.

Mexico will have to work strategically in favor of trade and investment not only with Latin America, Canada, and the U.S., but also with the rest of the world in support of common challenges such as development, peace, safe and orderly migration and respect for human rights.

Mexico is always interested in strengthening the updating and modernization of the global free trade agreement with the European Union (EU).

In the Asia Pacific, Mexico's priority is to intensify trade flow investment and tourism.

The Middle East is significant due to its concentration of energy resources and its collateral impact on peace and security at the international level. Mexico must consolidate alliances with key countries, closely linking the business and financial sectors to attract higher investments.

In Africa, Mexico has to consolidate the political presence of the country, including excellent commercial exchanges and innovative cooperation projects.

In the United Nations (UN), we will continue negotiating to reach the highest standards for safe and orderly migration, try to address the world drug problem and ensure the comprehensive implementation of the arms trade treaty.

Second, build a new and stable stage of dialogue and bilateral negotiation between Mexico and the United States.

We started by describing the importance of dialogue and negotiation with the new (Trump) government in our neighboring country since the U.S. has a "new"

(Trumpian) vision for its foreign policy. Hopefully, Mexico is aware that it will have to take actions to protect and defend its national interests from any threats from this White House.

In the area of negotiations, Mexico defines certain principles:

1, National Sovereignty

In the exercise of sovereignty, our only interest is with Mexico and its citizens. Given this consideration, Mexico and the U.S. will dialogue as sovereign countries. Mexico has the security, firmness, and confidence of its strengths in this on-going dialogue.

For both countries, a good relationship is fundamental and essential.

2. Respect for the rule of law

Mutual respect for the rule of law in both countries is essential to mutual interaction.

3. Constructive and purposeful vision

The negotiations must be in a win-win relationship where Mexico will remain innovative, creative and open to the reality of the international environment concerning demands from the U.S.

4. North American integration

Work jointly and dynamically between the three countries of North America, Canada, the U.S. and Mexico

5. Comprehensive negotiation

All issues in the relationship with the U.S. such as trade, migration, security, terrorism, illegal drug trafficking, arms and cash flow will be treated openly and respectfully.

Mexico is also carefully defining the objectives to achieve these principles:

Commitment and guarantee of humane treatment and full respect of Mexican migrant rights by the U.S.

Repatriation of undocumented persons by the U.S. government must be ordered and that the established agreements be maintained and treated in a dignified and respectful manner.

> "It is necessary to remember that in the last eight years about 3 million deportations were carried out and that these were carried out in an orderly manner precisely thanks to the protocols we jointly defined."

Development of the hemisphere means a shared responsibility working together to help development in Central American countries.

> "This commitment is increasingly important; While the number of Mexican migrants to the U.S. decreases every year, in the last three years the flow of undocumented migrants that cross Mexico towards the U.S. grew by more than 100%."

Ensure and certify delivery of free flow remittances from our nationals to Mexico.

> "To November of last year, the remittances of our countrymen totaled more than US$24 billion; it is an invaluable contribution to national development and indispensable for the livelihood of millions of Mexican families, mainly low-income families."

Commit to working bilaterally and responsibly to stop illegal entry of arms and illicit money into Mexico.

Maintain free trade with Canada and the U.S. in which trade must be exempt from tariff or quota as it has been since 2008; strengthen competitiveness in North America and increase exports from Mexico to the U.S. and Canada.

When modernizing the commercial framework of North America, governments must include new sectors such as telecommunications, energy and electronic commerce.

New trade agreements with the U.S. should convert into better wages for Mexican workers as well. This effort will increase productivity by protecting jobs, creating new opportunities and improving wages.

Protect investment flow to Mexico; ensure that Mexico is a reliable and attractive investment country. We will defend national investments and any other country that has been entrusted to invest in Mexico.

Working hard for a border that unites us: Mexico does not believe in walls that divide cultures and populations. Instead, Mexico believes in bridges, railroad crossings, highways, and technology as the best allies for a stable, prosperous neighborhood. Our border should be our best place of coexistence as it promotes security, prosperity and development for both countries.

In Mexico, we are forging new relations with the U.S. where all of us, state institutions, companies, and society in general will all collaborate to achieve a good relationship.

Mexico calls for unity while maintaining an outstanding effort to work together for the development and good of our two nations. (Nieto, 2017)

4.2 Findings on the diversification theory of former President Enrique Pena Nieto

> “The foreign trade objectives are set out in the National Development Plan for 2013-2018. As this pertains to international trade, the aim is to reaffirm Mexico's commitment to free trade, capital mobility and integrated production. For this end two strategies have been formulated. They are furthering and deepening the policy of trade liberalization and promoting Mexico's integration in the region by establishing strategic economic partnerships and deepening existing ones. Emphasis is also placed on the importance of strengthening Mexico's presence in regional and multilateral forums and bodies, including the WTO. These goals and strategies are developed in the sectoral program of the Ministry of the Economy for 2013-2018. This is because the Ministry is responsible for formulating and implementing the measures needed to meet the trade-related aims of the National Development Plan. Following the structural reforms introduced in 2013, Mexico set up new institutions for the Plan's implementation.” (WTO, 2017)

> “The Fifth Axis of the National Development Plan 2013-2017, entitled "Mexico with Global Responsibility," is the strategy consisting of deepening the bilateral relations and the political dialogue with the governments of foreign countries on the five continents; and mainly, in diversifying the destination of Mexican exports and the sources of investment.” (Excelsior, 2017)

This is the guide to policies aimed at promoting Mexico’s interests in international forums and organizations, defending these Mexican interests abroad and thus contributing to the internal progress of the country by generating business opportunities, investment and international projects.

At the beginning of 2017 the government of the Republic established Mexico’s foreign policy matters for the following years of the administration. This was aimed at strengthening Mexico's presence in the world and building a new stage of dialogue with our neighboring country, the U.S.

The diplomatic work of this administration sought to expand and strengthen the presence of Mexico in the world through bilateral meetings in which they enjoyed rapprochement with heads of state and government.

> “An example of this activism is the participation at the highest level in the G-20 Summits. This is where developed and emerging economies work to promote the growth of the global economy and the stability of the international financial system.”

Mexico has participated actively to obtain a more prosperous, equitable and sustainable international order.

Promotes more participation in the world through economic, tourist and cultural dissemination, strengthening commitments or agreements with free trade, international capital mobility and integration of various sectors. (BBC News, 2017)

The main link between both countries is commercial. Both countries exchange products daily with a value of US$1,400 million, noting that the U.S. is the destination of 80% of Mexican exports. Faced with this fact Mexico intends to diversify its markets.

Pena Nieto announced the priority of bilateral negotiations with different countries around the world. He emphasized the importance of the ASIA-PACIFIC market, closer ties with Argentina, Brazil, Africa, and the Middle East.

> “One of the threats launched by Trump has been to put a 35% tariff on imports. However, for that reason, and also for violation of World Trade rules the U.S. should not only be asked to leave the NAFTA, but the (WTO)” Organization, as well.

Building a wall, remittances and deportees are all important issue to address. Peña Nieto stressed that "Mexico does not believe in walls." He was talking about the wall Trump announced he would build on the border, which is why he commented on the deportation of Mexican migrants.

Therefore, deportation must be done in an orderly and respectful manner. EPN sought to protect the free flow of remittances without difficulties, especially since last year Mexico received US$24 million in remittances from its great number of Mexican migrants.

In the administration of Enrique Peña Nieto (2012-2018), foreign trade policy is linked to local politics. In the first instance it is the change of the party in power, and with the return of the PRI after 12 years, it created the expectations of possible changes in external relations. Its objective is and remains to spread a positive image of Mexico in the world, creating the picture of a safe country for investing with ample freedom of commerce and responsibility.

The foreign trade policy objectives were influenced by the strong relationship with the United States and the finding of a consensus able to define strategies for international insertion by the State. This translates into diversifying all the economic relations of Mexico, working for greater cooperation with Latin America and the general consolidation of Mexico in the world.

The relationship with the U.S. in 2017 caused the government to take emergency measures due to the threats of Donald Trump. Mexico was trying to diminish local criticism while improving the protection of Mexicans residing in the north. This was important even though it was a moment of greater openness in foreign relations between Mexico and other regions.

> "Official frameworks of the foreign trade policy of Mexico, The National Development Plan 2012-2018, characterize the foreign trade policy of the period as a "Mexico with global responsibility," having as a main goal"[...] to expand and strengthen the presence of the country in the world." (Government of the Republic, Mexico, 2012: 92)." (Franzoni, 2017)

Mexico seeks to consolidate itself as an emerging power and to be an interlocutor between North and South America.

In the foreign trade policy of Enrique Peña Nieto (2012-2017), there were high expectations for foreign policy due to the change of a government political party with the return of the PRI after two Sexenios (60 years). Meanwhile, the opposition party the PAN, would generate changes and one of its objectives was to promote democracy and the economic growth of Mexico.

The foreign trade policy of EPN was to improve the image of Mexico worldwide. The official documents show objectives with past administrations including the further diversification of different relationships and greater cooperation with the U.S.

EPN's foreign trade policy initiated essential processes such as the strategic partnership with China, economic dialogue between Mexico and the U.S., participation with the United Nations and other international organizations, as well as entry into the TPP.

In recent years the relationship with the U.S. has deteriorated and consequently a great effort has been made in the foreign trade policy of Mexico. This has forced the government to prosecute other strategies before the withdrawal of the U.S. from the TPP. Therefore, given this situation, the government of Mexico has assumed a more critical position before the government of Donald Trump due to the complicated scenario he has created. Trump's speeches on Mexico typically left the government of EPN in a very unpleasant and somewhat weak position as perceived by some sectors. But for the time being, Mexico needs to strengthen its position in any upcoming negotiations in whatever area in order to improve its image.

Although Mexico has a good number of free trade agreements, it has not had a significant increase in flows between the countries with which it interacts commercially.

Mexico will have to redefine its strategies given local conditions, as well as in regard to civil and business sector willingness to venture into new markets and new regions. (Icaza, 2014)

4.2.1 Comparison with Felipe Calderón

Felipe Calderón (2006 – 2012)

EPN’s six-year term is contrasted with the previous one of Felipe Calderón. Latin America was one of the leading destinations of Mexico's foreign trade policy, including events in Asia. The preceding did not position North America as the region with the most significant strategic weight for Mexico. During the beginning of the EPN administration there was less interest in these processes. This was reflected in Mexico's interest in the region and in the future of the multilateral mechanisms it had. The future of integration in the continent depended on the understanding between Mexico and Brazil, which remain with a low level of economic and political cooperation. This is evidence of the difficulties for the formalization of a free trade agreement. (Franzoni, 2017)

Felipe Calderón's interest in Latin America is explained by the need to "strengthen and recompose" relations within the region. After the presidency of Vicente Fox (2000 – 2006), who entered into open disagreement with some countries in the region such as Cuba and Venezuela, it would have been seen to be optimal to improve bilateral and multilateral relations. (Contralinea, 2013)

The foreign trade policy of Felipe Calderón's six-year term focused on cooperation with the United States and the issue of security was defined due to the wave of events that negatively affected Mexico in the international context.

Mexico and the U.S. worked on exchanging information about transnational drug trafficking organizations. This was done through the MERIDA initiative. The U.S. supported Mexico financially to combat drug trafficking, of course, by increasing security in the border area.

Foreign trade policy was then based on National security.

Felipe Calderón in his foreign policy agenda highlighted responsibility to promote the interests of Mexico in the world. It included more reforms to guarantee and extend human rights. An example of this was the reform in criminal matters, and human rights were raised to constitutional status. At the time a new protection law was enacted and new migration and refugee laws were approved. (El Economista, 2012)

Mexico was finally consolidated in the world as an emerging power and enjoyed the recognition of other nations, as well as growing influence in the global arena.

The democratic advances and the Mexican economy were registered among the largest in the world with an international trade of more than US$700 billion per year and was formally recognized at the Summit of Los Cabos as it tried to further consolidate the role of Mexico in the face of global challenges.

Mexico as a multicultural nation and heiress of great and ancient civilizations has been promoted by powerful cultural diplomacy improving its international image. (Índice de Competitividad Internacional, IMCO, 2017)

One of the processes of regional integration and thriving interests during the administration of Felipe Calderón was the creation of the Community of Latin America and the Caribbean (CELAC). It was established by Mexico's initiative giving priority to Mexican diplomacy. Representatives also created the Pacific Alliance (AP) created by Mexico, Colombia Peru and Chile. This was organized by the most powerful countries of the Pacific to form a united group before forums and initiatives in the Pacific Asiatic area in which the Transpacific Agreement of Economic Cooperation (TPP for its acronym in English) operated.

CHAPTER 5

Government Tools to Promote Diversification

Promexico is the agency that promotes the attraction of foreign direct investment and exports of products and services, focusing on internationalization of Mexican companies and in this way contributing to the economic and social development of Mexico. Strengthening the nation's image as a strategic business partner is emphasized. (Promexico, 2018)

ProMexico is a relevant Mexican entity to promote international business. Its values are equality and non-discrimination, teamwork, personal balance, continuous improvement, honesty, transparency and service attitude, social commitment, and inter-institutional cooperation. All this as part of its objectives to assist in the conduction, coordination, and execution of the promotion of foreign trade and attract foreign investments. The initiative is carried out directly with agencies and entities of public administration who work to promote and support export activity. Other priorities are internationalization of Mexican companies, dissemination and advise on the benefits that international treaties and trade negotiations may contain. Also provided is technical advice on export, plus organization and support for participation in fairs and commercial exhibitions. All this helps federal entities find the best location of foreign investments in the Mexican territory. (Promexico, 2018)

Promexico promotes 13 services that focus on the activity of exports and the internationalization of Mexican companies, providing advice, technical assistance, and encouraging the participation of companies in trade missions, international fairs and temporary exhibitions.

During 2018, ProMexico granted 737 grants benefiting 683 companies for an amount of 36.0 million pesos. Support was given to Strategic Alliances, Chambers and Associations in Hannover Messe, with 54% of the total revenue share in 2018 and fairs. (Promexico, 2018)

Mexico is a competitive country for productive investment at the international level due to its macroeconomic and political stability, low inflation, the size and strength of its domestic market, economic growth rate and its capacity to create advanced manufacturing (high technology products).

Mexico has an open economy with a network of free trade agreements. These guarantee access to international markets, offering competitive costs and a strategic geographical positioning. Likewise, the country has a variety of businesses that have a network of free trade agreements with the world, also featuring developed economic sectors and a highly competitive cost profile.

During recent years the country has been dedicated to discovering new ways for a more significant economic opening which favors foreign trade and the attraction of investment flows, changes in laws of foreign investment and signing free trade agreements with major global economies. There is great progress in each of these areas. Today, Mexico has advanced in its infrastructure to be a global logistics platform and it certainly facilitates the operation of business in various sectors.

Mexico has a network of 32 agreements to reciprocally promote and protect investments with 33 countries. There are 12 free trade agreements with 26 countries, and nine agreements of limited scope (these are agreements of economic complementation and partial scope). This has been done with the Latin American Integration Association (ALADI) which is a member of the Trans-Pacific Partnership Treaty. (TPP is its acronym in English)

Mexico actively participates in multilateral and regional bodies and forums such as the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation Mechanism (APEC), the Organization for Economic Cooperation and Development (OECD) and the LAIA.

Due to trade agreements on three continents, Mexico has a position as a gateway to a potential market of more than one billion consumers and 60% of the world's GDP.

CHAPTER 6

Trade Analysis

Exports

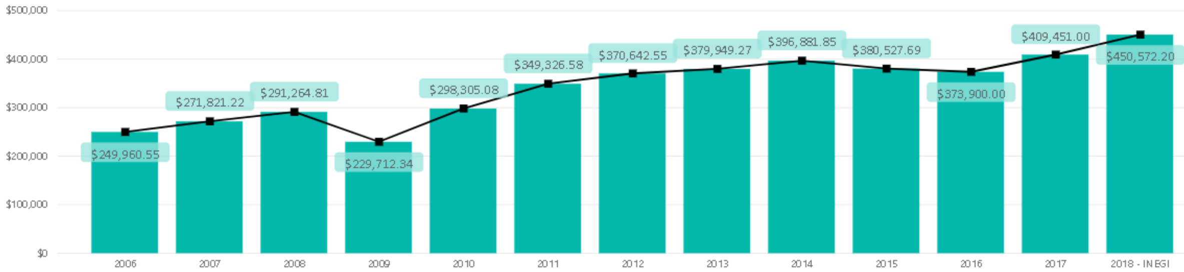


Figure 6 A
Mexico's Total Exports
Million USD
Own Elaboration
Sources: WITS / 2018 – INEGI

"Mexico's export markets remain highly concentrated; exports to the United States accounted for 81.2% of the total in 2015. This is four percentage points more than in 2012, while imports from the U.S. in 2015 accounted for 47.4% of the total compared to 50.1% in 2012. The growth of merchandise trade slowed during the review period. Between 2012 and 2015, exports grew by just 2.7% in U.S. dollar terms. This reflected the decline in oil exports in particular, while imports expanded by just 6.6%. Mexico's exports are dominated by manufacturing, representing 85% of the total in 2015. Meanwhile, agricultural products accounted for less than 8%, and oil and extractive industries products 7.2%. This compares to 15.5% in 2012. This change mainly reflects the lower value of petroleum exports owing to the fall in oil prices. The principal manufacturing exports are still electrical machinery and appliances, plus transport equipment. Together these jointly represented 57.6% of total exports in 2015." (WTO, 2017)

During the Enrique Peña administration exports gradually increased the first three years. The trend started in 2012 with US$370,642.55 million. His term in office concluded in 2018 with US$ 450,572.20 million. This is an increase of 21.57% of the export total from 2012 to 2018.

The export product shares are led annually by capital goods, machinery and electricity being the highest percentage every year ranging from 34% to 36%. Fuels had a notorious decrease. In 2012 these exports accounted for 14.06%. This movement started gradually decreasing since Enrique Peña Nieto started his term. By 2017 only 5.52% of fuels were exported.

This happened because Mexico has become a net importer of oil products. The main concern of the Mexican Government was focused on being self-sufficient in oil and that it was not until 1975, following the discovery of Cantarell, that Mexico became a highly regarded export country. Today, the resources of these reserves tend to decrease, and gasoline imports tend to increase, an inverse relationship. Therefore, the exploration to discover new reserves should be a main priority. The lack of efficiency of the National Refining System; the Energy Reform results, the low production and quality of oil in the country, are some of the problems faced. During 2017 it was necessary to import a high percentage of gasoline to augment Mexico’s consumption.

What generates a lower availability of material to refine is the low production of crude. This is because not all the oil obtained in the country is processed, only between 40% and 60% is destined to be refined. The rest is directed for export. Therefore, the current consumption of gasoline represents a higher quantity than the oil that the country has available at any given time for the refinery.

Since 2006, *Cantarell* has been running out. The oil field was considered to be one of the most important oil reserves in 2004, since it contributed 63% of the country's production. (Secretaría de Energía, SENER, 2017)

Therefore, the Energy Reform effort was aimed at attracting investors and companies to boost crude production (Universal, 2017)

With the energy reform of 2013, Pena's administration assured everyone there would be an increase in the production of crude oil from 2.5 to 3 million barrels per day (mdb) by 2018.

"With Energy Reform, the foundations were laid for the construction of an efficient and effective energy sector that would allow energy to be continuously distributed throughout the national territory and at competitive prices." This is what Pena Nieto said in his sixth government report.

The Pena administration of (2013-2018), however, did not achieve this goal, instead reaching a production average of 2.22 mbd. This was 17% lower compared to production during the PAN government of Felipe Calderón (2007-2012) which was 2.70 mdb. (Excelsior, 2016)

During this six-year term, the Mexican government confronted two situations that weakened production. First, the *Cantarell* deposit decline and second, the 2014-2016 oil price crisis that affected the price of the barrel from 100 to 20 dollars. The latter placed Pemex subject to the budget cuts made by the Mexican authorities. (Forbes, 2018)

Transportation increased in 2012 and accounted for 19.72% of total exports. But between 2015 and 2017 it remained at 25%.

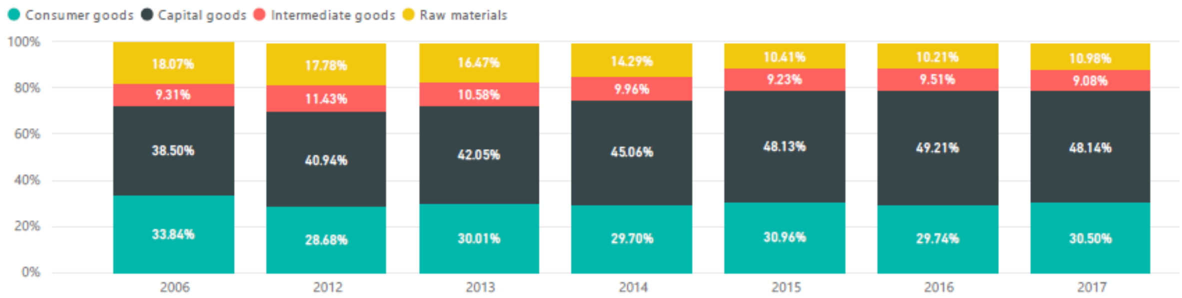


Figure 6 B
Export Product Share (%)
Own Elaboration
Source: WITS

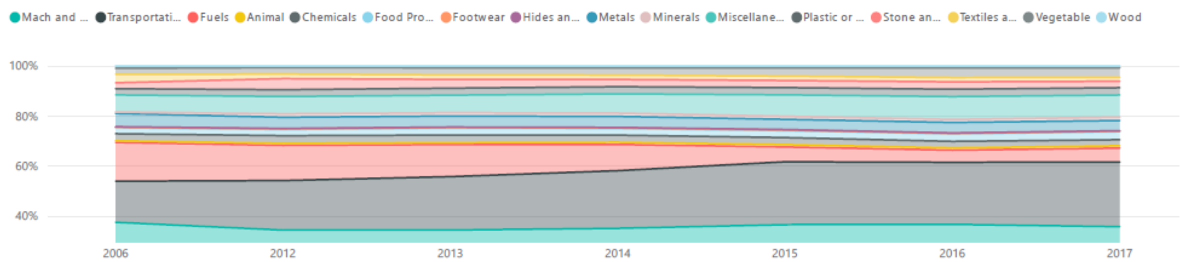


Figure 6 C
Export Detailed Product Share (%)
Own Elaboration
Source: WITS

Comparing the percentage of exports during Felipe Calderón six-year term, there was a decline in exports in 2009 created by the worst economic Mexican recession in 70 years. This was during the crisis of 2008-2009.

> "I have said it, and I reiterate it, the adverse situation of the world economy will have an impact in Mexico, yes, but we will move forward."

The fifth subsection of Calderón's plan was to simplify procedures for foreign trade and customs operations in a way that Mexicans would have access to more products and better prices. Another hoped for result was the action would facilitate the establishment of more companies in Mexico. (Jornada, 2008)

> "It was impossible to avoid the global economic crisis, but we could act to avoid a serious deterioration in employment or in the disposable income of families, and that is what we are advocating." The government promoted a series of countercyclical measures, the majority were contained in the Agreement in Favor of Employment and The Family Economy. If they had not been put into practice, the effects of the 10% drop that our economy experienced in the first half of the year would have been devastating. " (Expansion, 2009)

We can note that exports gradually decreased, starting in 2006 at 84.87%. By the closing of his term in 2012 it represented 77.75% of total exports to the U.S. During Enrique Peña's administration, the percentages were higher; in fact, his term finished higher than Calderon's with 79.95% of total exports to the U.S. Transportation, raw materials and intermediate goods were the top exports.

Exports to the USA

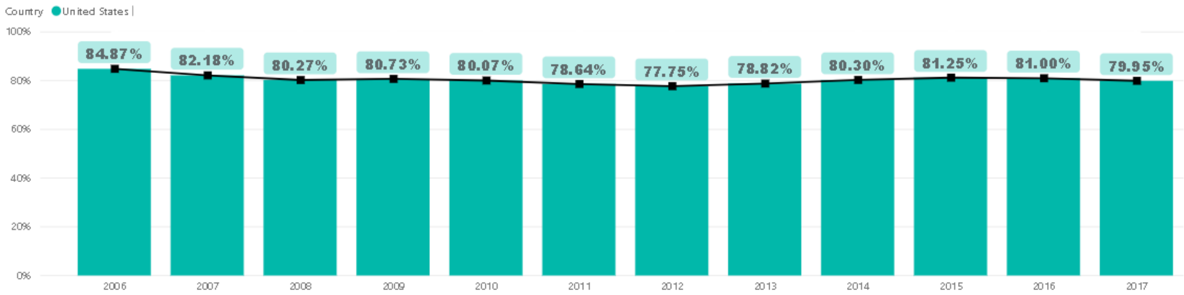


Figure 6 D
Mexico's Export Partner Share (%) to the United States
Own Elaboration
Sources: WITS

Felipe Calderon started with a high percentage of exports to the United States (84.87%), followed by the other four top export partners, Canada, Spain, Germany, and Colombia, in that order.

The decrease, when he handed the presidency to Pena Nieto, went to 77,75% and this was followed in turn by Mexico's other top partners--Canada, Spain, China and Brazil. Mexico's leading export partners-- the U.S., Canada, and China--are three of the top five export partners that continued to remain stable each year during the Pena Nieto administration.

Year	Country	(%)
2006	United States	84.87%
2006	Canada	2.07%
2006	Spain	1.31%
2006	Germany	1.19%
2006	Colombia	0.85%

Year	Country	(%)
2012	United States	77.75%
2012	Canada	2.95%
2012	Spain	1.90%
2012	China	1.54%
2012	Brazil	1.53%

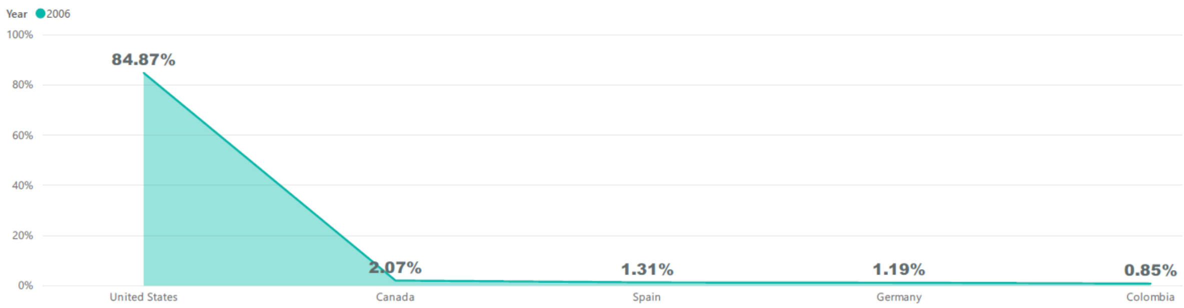
Year	Country	(%)
2017	United States	79.95%
2017	Canada	2.78%
2017	Germany	1.70%
2017	China	1.64%
2017	Spain	1.04%

Table 6 A
Top 5 Export Partner Share (%) in 2006,2012 and 2017
Own Elaboration
Sources: WITS

Diversification

Diversification did not occur in the first four years of Enrique Pena's administration. During 2012 to 2015 the U.S. percentage remained on the increase. The other top five countries' percentages decreased except for China. In 2012 this total accounted for 1.54%, but in 2013 it increased to 1.70%. Canada, it is interesting to note went from 2.70% in 2014 to 2.77% in 2015.

During 2016 to 2017, there was diversification as exports to the U.S. decreased from 81% to 79.95%. China's exports increased from 1.45% to 1.64% and Germany moved from 1.10% to 1.64%.



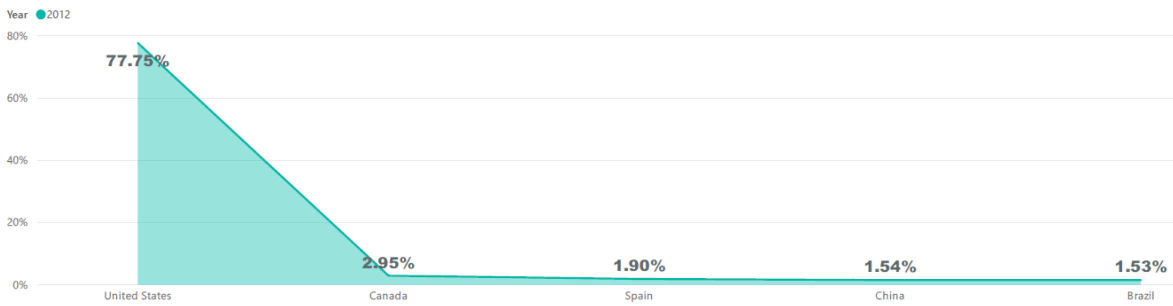


Figure 6 E
Top 5 Export Partners Share (%) 2006 and 2012 to 2017.
Own Elaboration
Sources: WITS

Imports

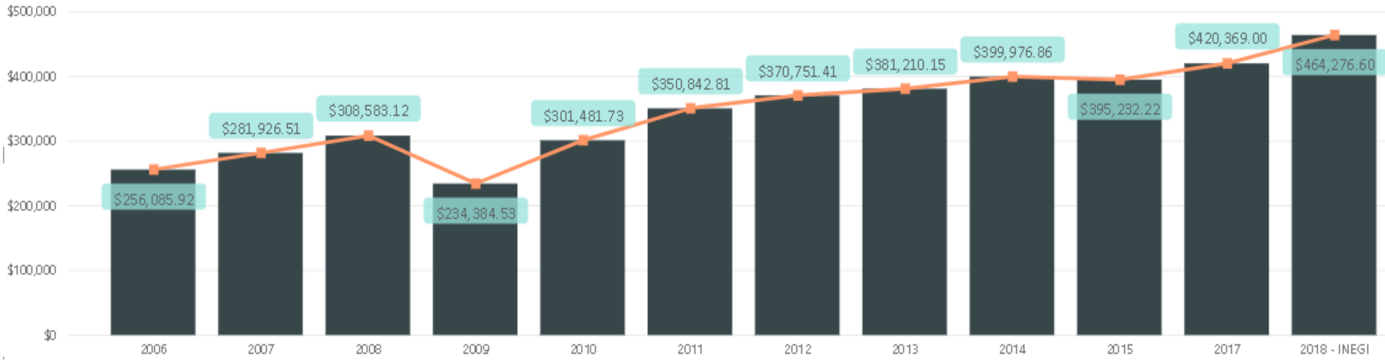


Figure 6 F
Mexico's Total Imports
Million USD
Own Elaboration
Sources: WITS / 2018 – INEGI

Felipe Calderón closed his term from 2006 to 2012 with an increase of 44.78%. The 2008-2009 crisis caused a decrease in Mexico's imports in 2009. On the other hand, Enrique Peña had an increase of 25.23% from 2012-2018. This was by the time he had concluded his term.

The import product share is led by capital goods, specifically machinery and electricity. The highest percentage in Pena's term is in 2016 and registered at 39.06%.

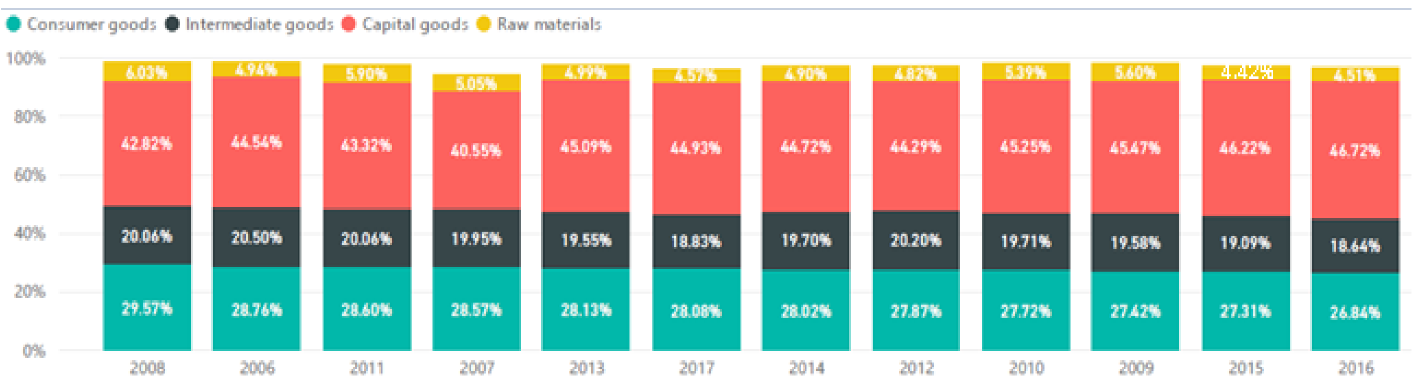


Figure 6 G
Import Product Share (%)
Own Elaboration
Source: WITS

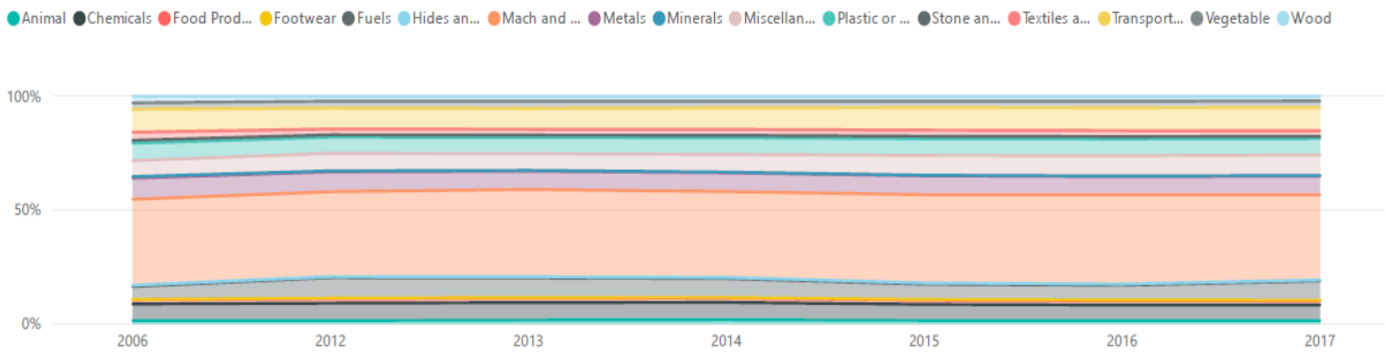


Figure 6 H
Import Detailed Product Share (%)
Own Elaboration
Source: WITS

USA Imports

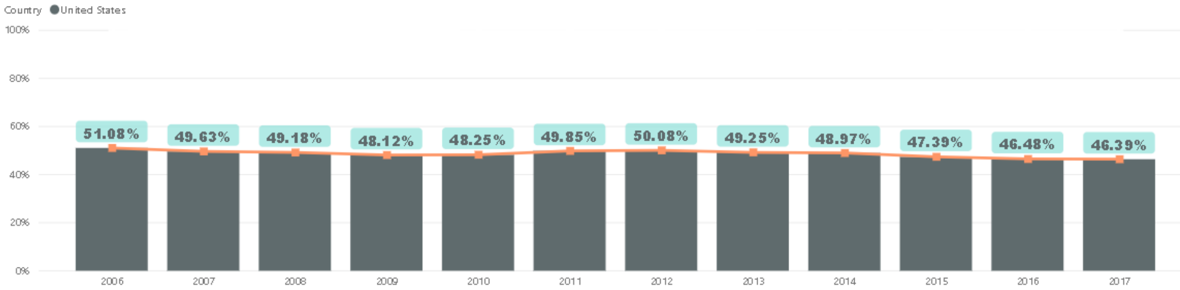


Figure 6 I
Mexico's Import Partner Share (%) to the United States
Own Elaboration
Sources: WITS

During Calderón's term, the percentage was between 48.12% and 51.08% the latter statistic, being the highest when he started his term. Pena's administration was able to decrease the percentage gradually to 46.39% by the end of his term. The U.S. is Mexico's leading import partner, followed by China. The bottom three of the top five export partners are Japan, Korea, and Germany. The top five import partner countries remained the same during Pena's administration.

Year	Country	(%)
2006	United States	51.08%
2006	China	9.54%
2006	Japan	5.97%
2006	Korea	4.15%
2006	Germany	3.69%

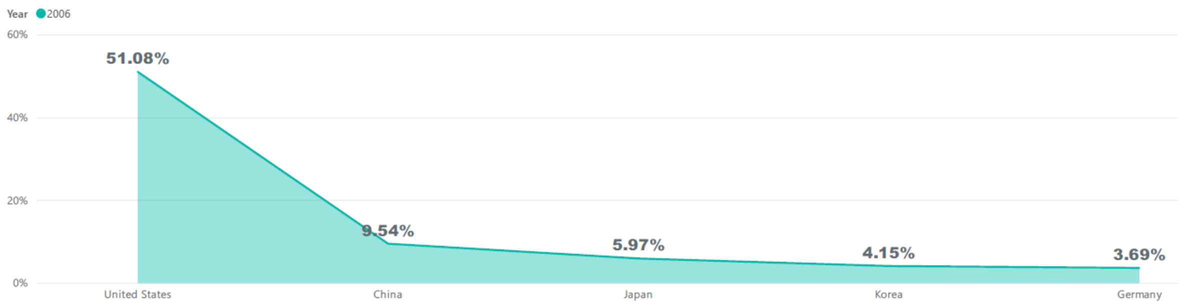
Year	Country	(%)
2012	United States	50.08%
2012	China	15.36%
2012	Japan	4.76%
2012	Germany	3.64%
2012	Korea	3.60%

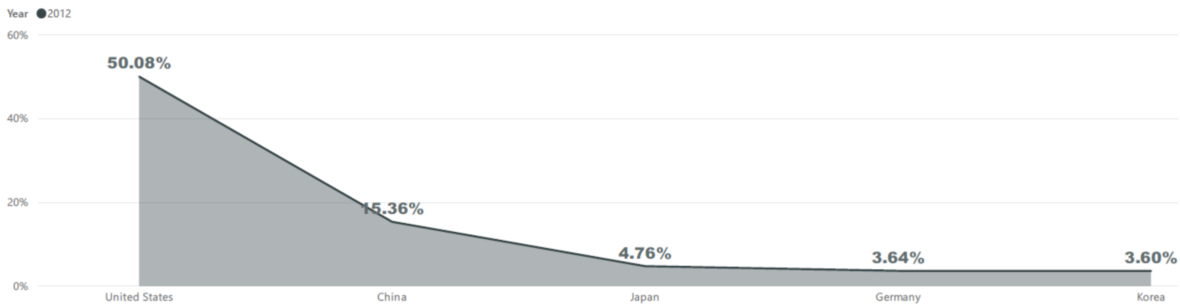
Year	Country	(%)
2017	United States	46.39%
2017	China	17.64%
2017	Japan	4.33%
2017	Germany	3.91%
2017	Korea	3.75%

Table 6 B
Top 5 Import Partner Share (%) in 2006,2012 and 2017
Own Elaboration
Sources: WITS

In imports, there exists diversification during Pena's administration as the United States total imports percentage gradually decreased from 50.88% to 46.39%. During 2012 to 2015, Japan's imports decreased from 4.76% to 4.39%. In 2016, it increased to 4.59%, while during 2017 decreased to 4.33%.

Germany and Korea closed 2017 with higher percentages that when they started. In the one hand, Germany started Pena's administration with 3.64% and concluded in 3.91%. While Korea 3.60% to 3.75%.





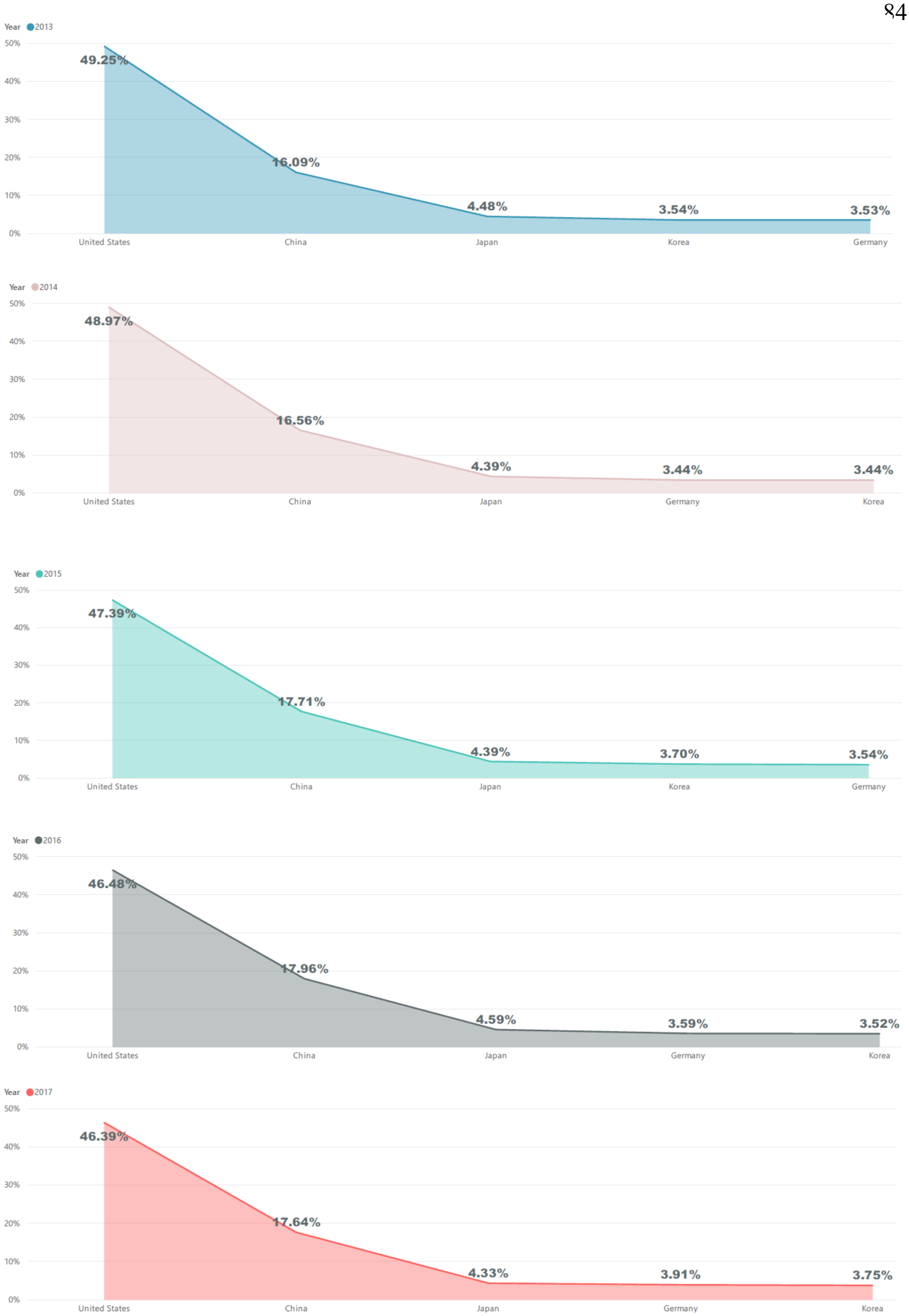


Figure 6 J
Top 5 Import Partners Share (%) 2006 and 2012 to 2017.
Own Elaboration
Sources: WITS

Import, Export and FDI

As a result of the commercial opening Mexico has trade agreements with several countries, however, the concentration of its exports and exports, are concentrated in trade with the United States as can be seen in the following figure:

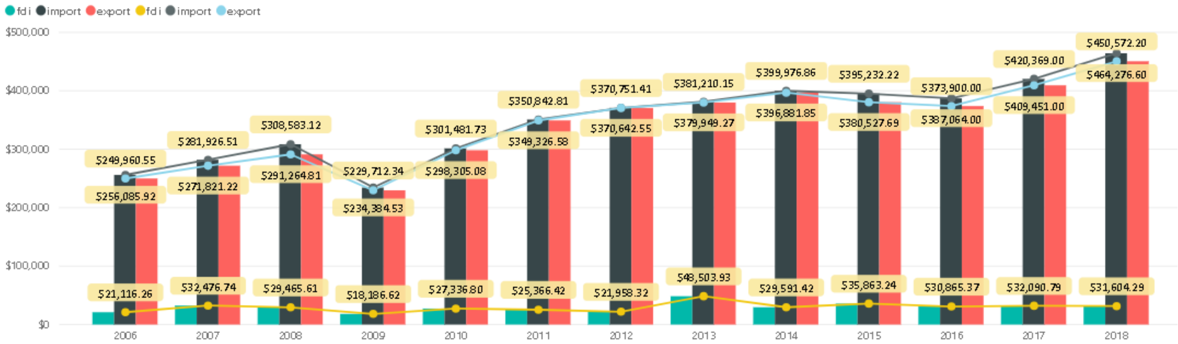


Figure 6 K
México FDI, Import and Export 2006 to 2018
Own Elaboration
Sources: WITS / 2018 – INEGI

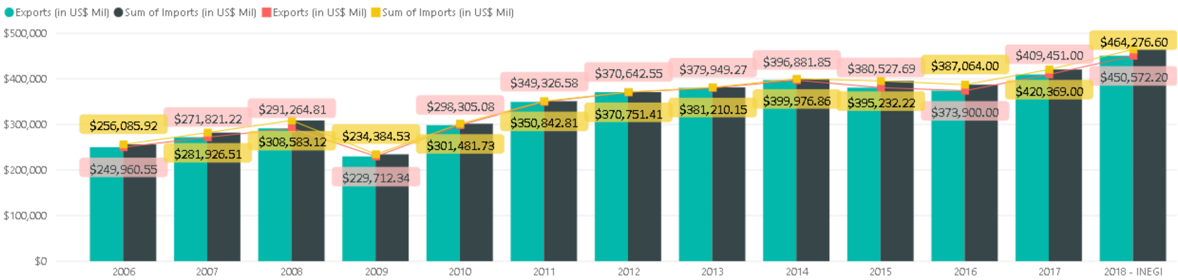


Figure 6 L
México FDI, Import and Export interaction with USA 2006 to 2018
Own Elaboration
Sources: WITS / 2018 – INEGI

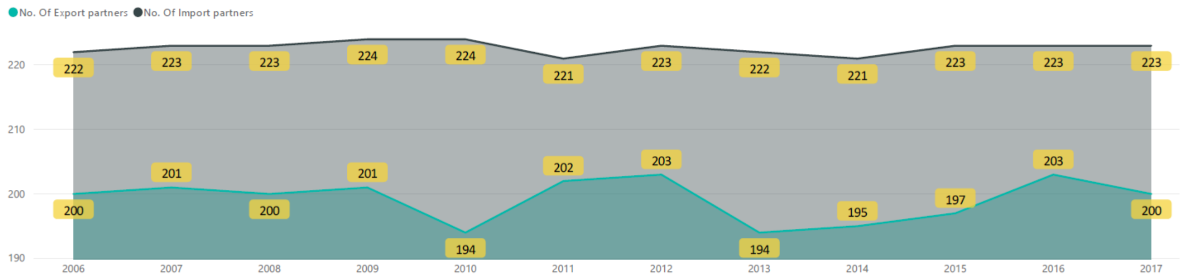


Figure 6 M
Mexico - Number of Export and Import Partners 2006 to 217
Own Elaboration
Sources: WITS

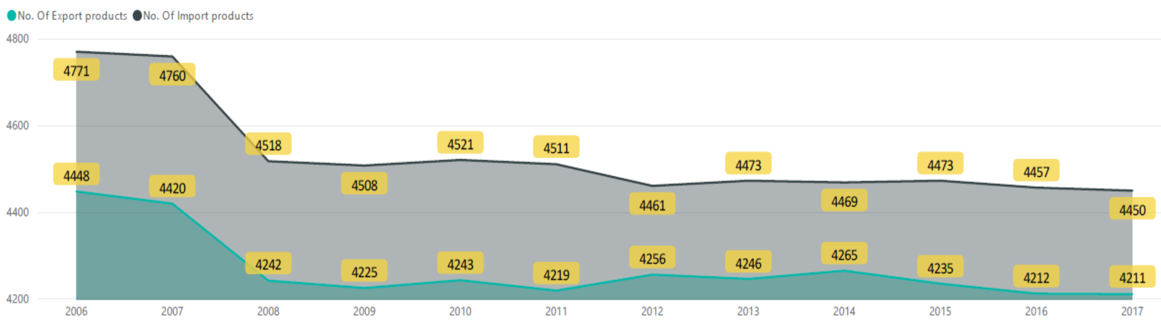


Figure 6 N
Mexico - Number of Export and Import Products 2006 to 217
Own Elaboration
Sources: WITS

Mexico imports more than what it exports, the number of import partners during Pena's administration remains the same by the time he concluded his term, while the export partners decreased by three in 2017. The number of import products decreased from 4461 in 2012 to 4,450 in 2017. Exports products also decreased from 4,256 in 2012 to 4,211 in 2017.

FDI

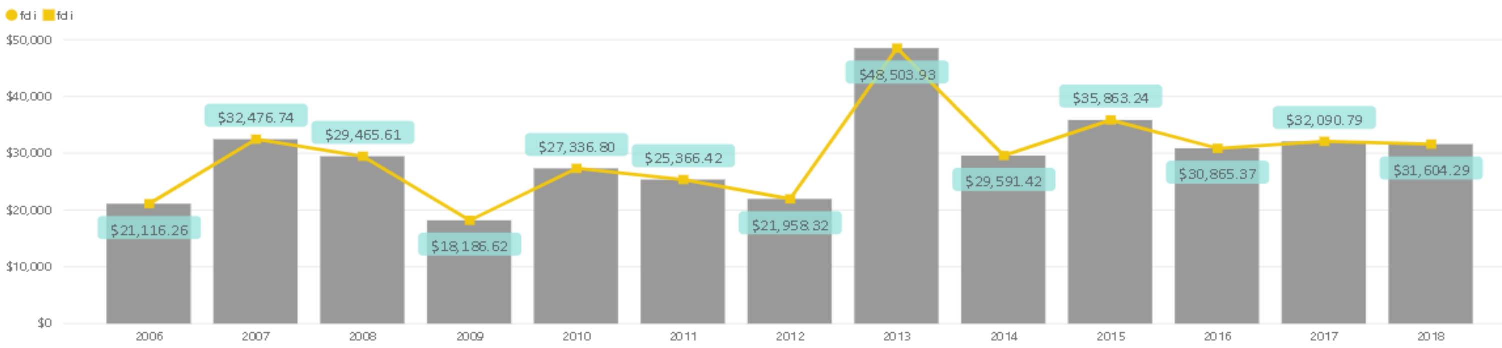


Figure 6 O
Mexico – FDI Inflow
Own Elaboration
Source: Economy Secretariat of Mexico (SE)

> "Mexico receives a large amount of foreign direct investment (FDI). In 2015, FDI inflows amounted to US$32,864 million, as for the first nine months of 2016 they totaled US$19,773 million. The main FDI-recipient sectors in 2011-2015 were the manufacturing industries. They absorbed an average of 54.4% of all FDI flows. They were followed by mining (8.5%) and commerce (7.7%). FDI from the U.S. represented over 50% of the total in 2015 and were followed by flows from various European Union countries." (WTO, 2017)

FDI inflows to Mexico increased 43.93% from US$21,958.32 million in 2012 to US$31,604.29 million in 2018. The year 2013 came with the highest FDI during Pena's administration.

Traditionally, the second largest recipient of the FDI in Latin America goes to Mexico and is followed by Brazil. However, in 2014 Mexico placed well below Brazil. (Proceso, 2015)

Foreign direct investment to Mexico reached a historic maximum in 2013. (El Financiero, 2014)

According to the Ministry of Economy, this difference can be explained because in the first six months of 2013, the Belgian company AB Inveb bought the Mexican Grupo Modelo for an amount of US$13,249 million. (Expansion,2014)

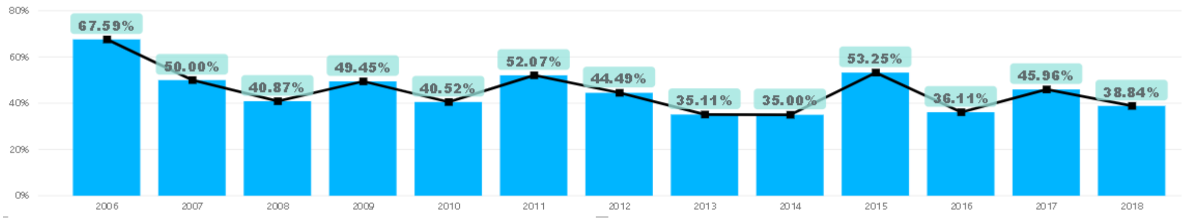
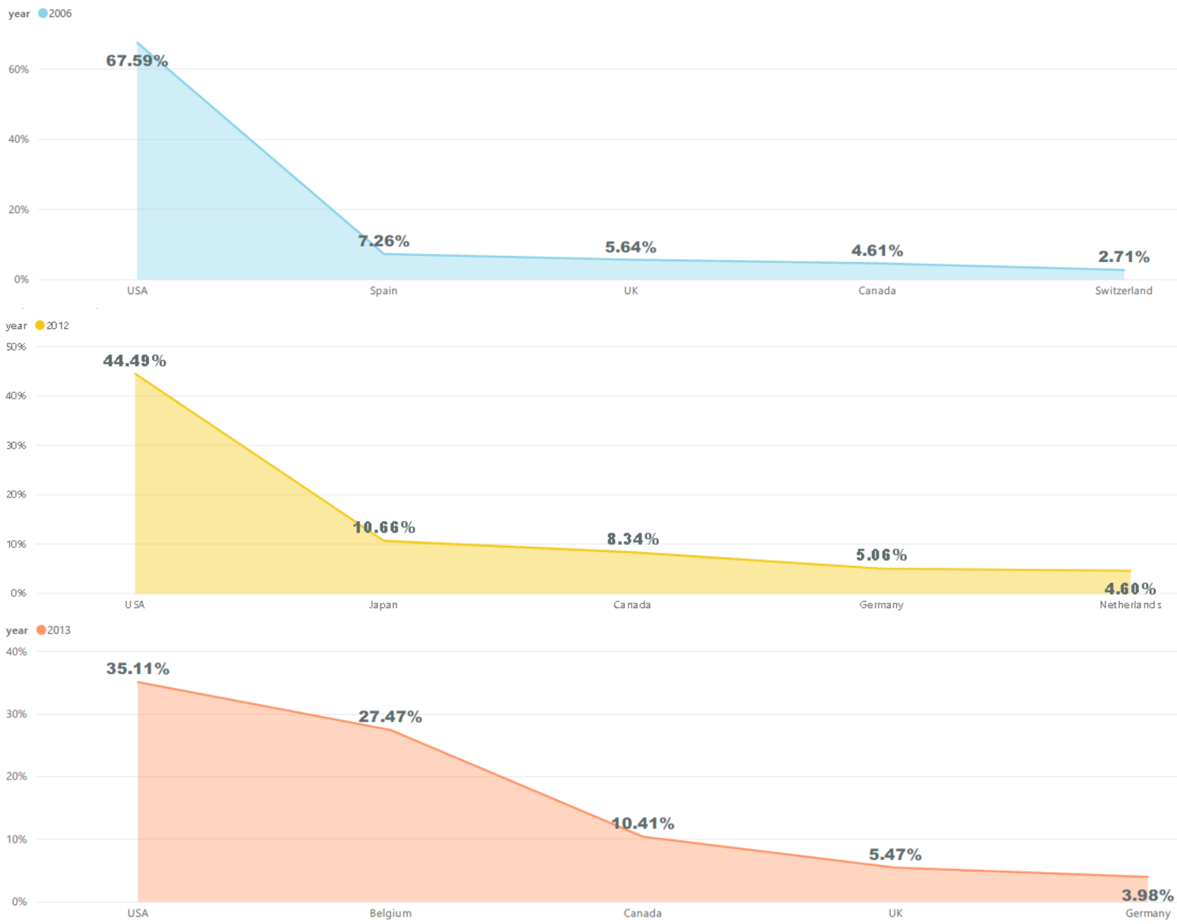


Figure 6 P
Mexico – FDI Inflow from the United States
Own Elaboration
Sources: Economy Secretariat of Mexico (SE)

FDI inflow from the U.S. during Enrique Peña Nieto's term had a decline by the last year of his administration. His term closing in 2018 was 38.84% as part of the total FDI inflows to Mexico. The highest percentage was for manufacturers and commerce and in the year 2015 recorded 53.25%.



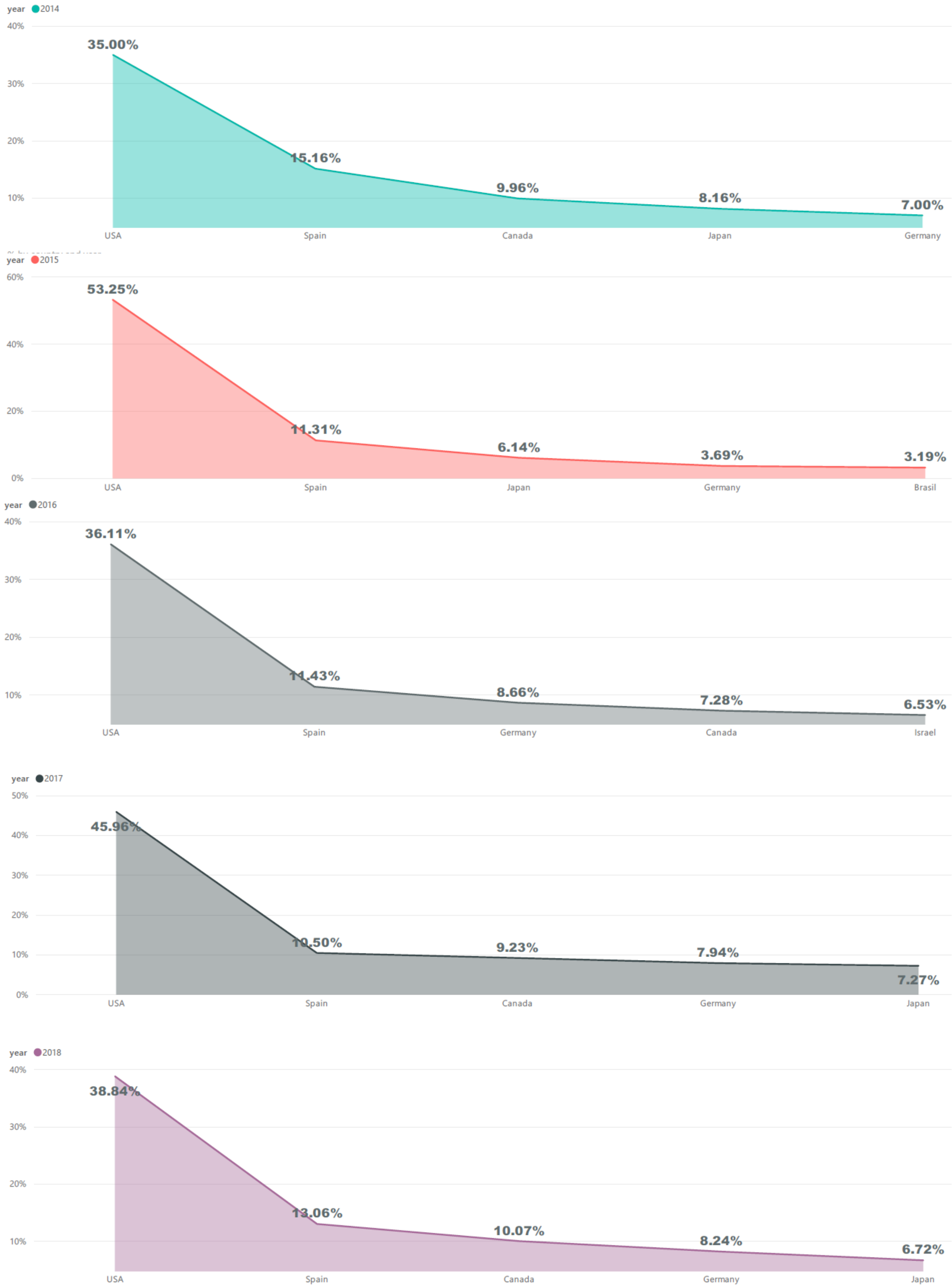


Figure 6 Q
Mexico – FDI Inflow top 5 country, 2006 and 2012-2018
Own Elaboration
Sources: Economy Secretariat of Mexico (SE)

In the first three years of Pena's administration there was diversification as USA FDI inflow decreased from 44.49% to 35%. In 2015 it was the highest percentage of FDI.

In 2015, Ford also carried out an investment of US$2.5 billion in order to expand its operations in motors and transmisions in the center and north of Mexico. AT&T, the telecomunicacions firm, announced in June of 2015 an investment of around US$7 billion. The first four billion were for purchase of Lusacell and Nextel of Mexico. The three billion remainder to expand its network, initiate its Internet mobile services and create a Mexico-U.S. telephone market. Walmart is one of the companies that have invested more in Mexico year after year. In 2015 the firm invested more than 12 billion pesos in order to increase its sales reach, its commercial electronic business, as well as modernize its operations. (Milenio, 2019)

Spain has positioned itself in the second place closing 2018 at 11.43%, produced by financial and insurance services and generation, transmission and distribution of electrical energy, water and gas supplied by pipelines to the final consumer.

Germany closed 8.66% with manufacturing industries, commerce, and mining.

The United States and Spain have been the top two countries with the highest FDI in Mexico since 2014.

In 2017 and 2018 the U.S., Spain, Canada, Germany, and Japan have been the top five countries.

In 2013 Belgium FDI inflow to Mexico accounted for 15.16% of the total FDI inflow, taking the second place of FDI countries. Most of the FDI went to Mexico State, Guanajuato, Jalisco, Oaxaca, and Zacatecas. In the different sectors: manufacturing industries, construction and financial and insurance services were all top categories.

Since 2014, Spain has started to invest more and started with 15.16% in 2014, and closing with 13.06% in 2018.

Japan decreased during the EPN era, starting in 2012 with 10% and concluding with 6.72%. It was one of the top five, but in 2013 it had lost its place in the group.

CHAPTER 7

Conclusion

The linkage of Mexican foreign policy corresponds to a large extent to the history of its relations with hegemonic powers that from its beginnings. Mexico as an independent nation had to deal with the power that colonized it, Spain. This happened again later with Great Britain and France who tried to harm the sovereignty and independence of Mexico- Later this happened again with the United States.

The international scene was characterized as juridical until the 1980s in order to protect the sovereignty of the country. This represented continuously trying to consolidate an autonomous position vis-à-vis the U.S., which by this time had focused relations with other countries as one of its priorities in Latin America.

With the first-generation reform stage introduced by President López Portillo (1976 - 1982), the so-called modernizing structural change towards a neoliberal foreign policy began. From then on, an ascent towards the Mexican integration in the economic fabric with the North American region and the consolidation of things with the signing of the North American Free Trade Agreement (NAFTA) continued. Under these auspices Mexico emerged in its singular approach in the foreign community and international markets.

The Trans-Pacific Partnership (TPP) and the Pacific Alliance align with the process of integration dictated by the U.S., especially in response to China's presence in the Pacific Rim region. The TPP and the Pacific Alliance are the main positioning tools for Mexico in the region of the Pacific Rim and can be considered as a strategy to adhere to the leading economies of the Latin American region. Both initiatives are proposals that come from the U.S., that is to reposition themselves in Latin America through commercial integration and approach countries far from the U.S. and North America. In this posture, it means facing China as the main economy in the Pacific Rim region.

Mexico converges in both integration projects which are fundamental within the Strategies of the National Development Plan. This is because they focus on promoting the regional integration of Mexico with Latin America, the Pacific Rim, as well as North America. The Trans-Pacific Partnership (TPP) is an instrument of commercial diplomacy that is not inclusive of all the important economies of the Pacific Rim since it excludes China. Due to this China has developed its strategy identified as the Regional Comprehensive Economic Partnership (RCEP). It is composed of a market of 3.4 billion people and will be integrated by the ten that together make up the Association of Southeast Asian Nations (ASEAN). In addition, there are another six countries with which they have free trade agreements.

It is relevant to determine whether The Trans-Pacific Partnership (TPP) could represent a true diversification strategy since it has excluded the main economy of the Pacific Rim. The preceding reflects a lack of strategy to insert itself in the region in an integral way because the National Development Plan states that the TPP is the preferential mechanism to achieve this addition. However, if and when done, the attending process could go hand-in-hand with U.S. policies but will be left out of true diversification in the Pacific Rim and Latin America region.

The management of Enrique Peña Nieto's foreign policy can be described as one of important changes and continuities since in his six-year term decisions were made that differentiate him from his predecessors. For example, the sending of Mexican military personnel to the UN Department of Peacekeeping Operations (DPKO), Mexico could not really refuse, since one of its goals was "Mexico with global responsibility." This is important because it is one of the 5th Axis of the National Development Plan 2013 – 2017. This focuses on deepening bilateral relations and political dialogue with the governments of foreign countries and diversifying the destination of Mexican exports and the investment sources. It is dedicated to the role of the country in international relations, promoting Mexico. Consistent with the ideology of the PRI and in the words of EPN: "…as a nation that defends international law, promotes free trade and is in solidarity with the different peoples of the world… (we) intend to consolidate the country as "an emerging power."

Integration strategies previously met the fundamental guiding principles of Mexican foreign policy at the time, and their strategic participation was regional in nature, and the continuity of the tendency of previous governments was to give priority to economic issues. This was demonstrated with the national development plan of 2013-2018. Its objectives included free trade, capital mobility, and productive integration. According to the National Council for the Evaluation of Social Development Policy (Coneval), the performance of the social policy of the government of former President Enrique Peña Nieto in the National Development Plan of 2013-2018, was considered insufficient. This was because by measuring its indicators, it was suggested that an average evaluation of 60.9% was obtained. (Coneval, 2018)

Likewise, the continuities are in line with the current tendency from previous governments to give priority to economic issues over diplomacy. It is seen in its commitment to free trade, capital mobility and productive integration reaffirmed by its intense agenda and presidential tour destinations, openings and closings of embassies, his media campaign, all this despite the hectic situation that Mexico was experiencing.

The goal of this administration in terms of foreign policy was to consolidate the TPP as an instrument of Mexican integration with Latin America. This was reinforced by the Pacific Alliance and was of utmost importance for its commercial opening and the application of responsible economic policies. This represented an excellent opportunity to diversify Mexico's trade and investment. Added to that were these two mechanisms representing the inclusion of the Allied bloc in the North American strategy for integrating the region in order to achieve a geopolitical counterweight in Latin America and the Pacific Rim. This came with the premise of economic liberalization and a successful market opening.

Mexico, having a great number of treaties and trade agreements, became an attractive point for making investments and trade, this was because there are treaties with significant regions of the world such as North America, the European Union (EU), and Japan.

All this has made Mexico one of the countries with the highest number of commercial agreements worldwide, but at the same time, many have not been adequately exploited to achieve their potential for diversification.

Diversification occurs when the process of expanding trade or different items to different countries takes place, and by not being limited only to specific goods and/or countries. Among the different strategies for diversification, there exists identification of potential industries, diversified markets and products, and negotiation for a reduction of tariff and non-tariff barriers. All these actions play an important role in diversification for Mexico.

It should be noted that Mexico is used by some countries as a bridge to bring its products to the North American market. Maquiladoras are a clear example as elements are assembled or processed from a foreign country, then exported for final details to be completed elsewhere and then sold in a variety of markets. This is due to its geographical location between North and South America. This makes it one of the most dynamic borders in the world in terms of the flow of goods and services and people who cross the border daily. Despite the comparative advantages it has with many other countries, the country has only concentrated on being a supplier of cheap labor and this cannot and must not compete with the Chinese workforce.

This is a situation that caused the Chinese market to displace the Mexican marketplace as its second commercial partner next to the U.S.

In 2017, it should be noted, the U.S. imported 21.85% of its imports from China, while Mexico achieved only 13.18%. The latter was due to the lack of infrastructure in modern means of communication. This was especially important in regard to railways, ports, and land, in addition to the insecurity and legal uncertainty that exists in Mexico today.

That the U.S. absorbs around 80% of our Mexican international trade is a consequence of the existing neighborhood with the largest economy in the world. This is where economic entities seek to place products in foreign markets that, due to the limited scope of their markets, cannot otherwise be placed.

There are others that because of their development level need to get products and raw materials at a low cost and transport them for a short distance. Added to this, we must include the opportunity offered by a cheaper workforce. This in itself generates the creation of subsidiaries not only for those in our country who export to their parent companies but also to the U.S.

This does not mean, however, that Mexico should avoid seeking foreign trade alternatives. In favor of this, doors are opened to larger markets, investment is attracted, there is an improvement in the commercial position, and there is the all import expansion of job offers. Competitiveness is also generated. Arguments against include: the high costs derived from licenses and other required regulations, the inherent risk to natural resources and the uncertainty of long-term prospects.

This union with the North American economy has not only made the U.S. the reason for Mexico's development, but it has also sometimes caused an economic recession in the neighboring country that in turn becomes into a real crisis for Mexico. There is a long-standing saying: “when the U.S. sneezes Mexico gets pneumonia.” This is the primary reason why Mexico has not managed to obtain optimal diversification to date. The United States continues to be its leading trading partner since 80% of its foreign trade is with the U.S. The main reasons are due to its geographical location and the skilled inexpensive labor that exists in Mexico. Hence, In Mexico the optimal diversification has not materialized because of the attractive market of the neighboring USA, this has played a powerful influence on Mexican producers and exporters by the links and closeness through which they have had for many years and thus generate a lower interest in Mexico's efforts to conquer other markets in the world. Other factors to consider would be the degree of openness of national economies and their participation in the markets of other countries. Mexico should not remain behind in times of economic growth. It is time not to concentrate on a single market; however powerful it may be, Mexico needs to diversify and expand its commercial horizons.

Therefore, it is advisable for Mexico to continue trying to increase the commercial flow with Asian and European countries. This observation is based on hard and clearly established relationships leading us to conclude that despite the distances involved, these regions demand quality products and deliveries by the established dates. This would be a requirement that should be met by Mexico and would help strengthen its commercial development in an orderly manner. This process of diversification has already begun.

México, by participating in different regions, as explained above and in the following, is exporting to a range of different countries. This effort is on-going and being expanded. The proof is the many treaties that are held by Mexico and its trading partners. This is important proof of diversification across the board. Again, the best example is to examine the trade and commercial relationships that Mexico has with its two great neighbors to the north.

North America

The negative rhetoric of the then U.S. presidential candidate, Donald Trump, who would unfortunately later win the U.S. elections in November 2016, caused the Mexican government to be forced to take defensive foreign policy measures. There was the forced renegotiation of the North American Free Trade Agreement (NAFTA), for example. This effort signaled that economic policy was taking in the reins of foreign policy. In this context, the priority was to know the relationship between the U.S. and Canada, who at the time were working carefully to define attempts at commercial diversification towards other regions.

However, the mutual dependency is evident: foreign trade is a large part of the Gross Domestic Product, and the ensuing exchanges reflect this.

This is a good example. In 2017, 79.95% of Mexican exports went to the U.S., while only 2.78% went to Canada. While this almost absolute orientation to the U.S. should be reduced, the existence of different free trade agreements generated constant deficits and were really not always taken full advantage of.

The main exports are manufactured goods dominated by goods assembled with imported components, but they are really manufactured in other countries. A good part of the Mexican industry does not produce goods, only assembles them. This is a constant and is not new. To ensure the development, change, and inclusion of Mexico in the international economy, restructuring is necessary and imminent for Mexican industrial policy.

It has to be designed to modify exchange and move toward production, leaving behind the more traditional maquiladora structure. Foreign policy should be considered as a tool that allows the country to meet national needs. Thus, in a context of internal crisis and external threats, foreign policy can be an important, if not essential, way to pay for development as it increases the prestige and bargaining power of the primary country.

Latin America

In addition to the decisive strategy towards Central and North America, the Latin American region can become a niche to strengthen Mexico. The commercial part is deficient, however. Exports to Latin America and the Caribbean were US$21,464.5 million (MDD) in 2017, compared to US$327,357.9 million in exports to the U.S. reflecting the low contribution. Brazil was the main trading partner: in that year, exports were 0.9%.

On the other hand, the political part is fundamental since it must support and seek alliances with nations that share the values of the home country. Joint positions can translate into higher negotiating strength for that country. Mexico, many would agree, should act in active time to engage more with its Latin American partners.

Otherwise, it may run the risk of other countries seizing opportunities and gaining economic and political space. This would be something very difficult to recover in the future.

Europe

The European Union (EU) is the third commercial partner of Mexico and the second source of foreign direct investment (FDI). This relationship opens the opportunity to take advantage of and increase bilateral cooperation projects in areas such as the rule of law, social, cultural, technological and educational programs with the EU and non-EU countries.

Pacific Asia

During recent decades, the Asia Pacific has become important in international capitalism, primarily because of the participation of China. This is a country that has been busy extending its influence in most regions. China has become Mexico's second largest trading partner/rival and the second most significant source of imports, after the U. S. It was also the fourth export destination, followed by the U. S., Canada, and Germany in 2017. The direct foreign investment of that country in Mexico is low, and any attempt at diversification towards China is unthinkable. Mexico is at a disadvantage with that country, so the strategy must be to develop an aggressive policy that strengthens the offer to transnational companies to change their production base from China to Mexico.

At the same time, there has to be a reduction in the trade deficit with this prominent Asian power. The diversification policy requires a clear and long-term Mexican industrial strategy, one where Mexico is required to change the orientation of the exporting country from raw materials to technological production. Mexico must make readjustments in the production chains within the framework of the Trans-Pacific Broad and Progressive Association Agreement (CPTPP).

The change in this trend will in all likelihood take some time. Nevertheless, the most important thing is that the external sector continues developing. Therefore, the Government should continue to encourage the participation of Mexican export companies in global markets while providing advice and financial support. This should be done in order to boost foreign trade, to contribute to national and regional growth, as well as to stimulate job creation. If done correctly and in a timely fashion, the cost and procedures of foreign trade operations will be reduced, and this will allow for the procurement of inputs at lower prices, as well as lower costs for exporters

Structural reforms are needed, and they need to be aggressively carried out in order to have more straightforward regulations at the government level, and foreign companies given greater legal security. This can be seen as creating an opening to a new type of investment that already exists in many countries interested in doing larger volume business with Mexico. From this time forward, the right strategy must be generated to become the best country in Latin America. It is the government and private sector responsibility to create an image of Mexico as a place to invest. The emphasis, to repeat, has to on seeing Mexico as offering a real privileged geographical situation, a wealth of natural resources and great pool of skilled labor.

In this context, the country has everything to be able to become the place par excellence. In fact, it will become the bridge for the American continent. Mexico has to be seen as a favorable solution for establishing company headquarters for any given industrial and financial interest. This effort would lead the country, it would appear, down a road to better growth and economic development.

It is evident that the current situation confronting our northern neighbor continues as a call for the need to diversify Mexico's foreign relations. The benefits are varied, and it should be noted that as for the current vulnerability to the U.S., it can be mitigated via association with other countries in different regions both bilaterally and multilaterally.

Mexico is considered a competitive country for profitable businesses due to its productivity, labor cost, the location of the country having lower costs in terms of transport. Mexico focuses on the main fundamentals of the commercial economy, such as the strengthening of SMEs, the promotion of exports, trade opening and the attraction of foreign investment.

The first has a significant impact in creating job opportunities and the second is considered an economic activity that demands domestic production of goods and services. This increases the income of the economy and exportation. The commercial opening and attraction of foreign investment reflect Mexico's ability to conduct business with the world. The signing of agreements for the promotion and reciprocal protection of investments (APPRIs) has strengthened the protection of foreign investment in Mexico for domestic and foreign investors. It has attracted foreign direct investment to various sectors and increased domestic production.

It is essential, as we are contending, to continue with efforts to diversify the commercial and economic relations of Mexico in a way to diminish dependence on the U.S. Both purposes must be based on internal development projects to strengthen the capacities of Mexico, as well as strengthen social and economic actors.

Latin America must become a priority, given the historical and cultural links that Mexico maintains with various countries in the area. In past administrations, the specific weight of this region has been reduced, and this is why it is a good idea to interact more actively. Likewise, it is necessary to emphasize the cooperation with Central and South American countries with development indices similar to Mexico in order to increase the country's capacities.

On the other hand, it is crucial to consider the possibility of becoming more involved with the Asia-Pacific region. This includes the configuration of a long-term policy that strengthens ties with China. It has been suggested by exporting raw materials. However, this might fall into an unfavorable situation in economic terms that could result in a new dependency from the commercial and investment point of view and should be avoided.

Also, the current situation offers undoubted opportunities to strengthen economic ties with Asian countries such as India, Japan, Vietnam, South Korea, Singapore, and others. This policy should be linked to strategic zones in the Mexican Pacific in terms of increasing levels of economic development and infrastructure.

With the arrival to power of Andrés Manuel López Obrador, a new model of foreign policy was developed. It focuses on greater cooperation for development with Central America. Undoubtedly, it breaks with the foreign policy style of the last 30 years. Its motto is "The best foreign policy is the interior."

The new government is making efforts to innovate its approach to mesh with the Northern Triangle (El Salvador, Guatemala, and Honduras). The strategy of cooperation for development has been announced by the three governments of the states involved and has the support of the Economic Commission for Latin America and the Caribbean (ECLAC).

Naturally, at the same time, Mexico wants to involve Canada and the U.S. to contribute funds for the initiative. In effect, it would allow potential migrants to stay in their countries of origin, thus preventing them from crossing Mexico to reach U.S. territory. Given the evidence, the relationship between North America and Central America will definitely mark the best of AMLO's foreign policy.

On the other hand, the entry into force of the Trans-Pacific Partnership Progressive Integration Treaty (TIPAT or CPTPP, according to its acronym in English) is in line with the strategy of diversification, inclusion, and innovation developed by the government of Mexico since December 1. 2018. The agreement has rules that seek to make international trade more inclusive so that it is a viable tool for benefiting citizens more clearly. In that sense, the TIPAT includes provisions related to cooperation, small and medium enterprises (SMEs) and anti-corruption rules.

The other proposal of the president-elect is to eliminate ProMexico, the entity in charge of promoting exports, the internationalization of companies and the attraction of Foreign Direct Investment (FDI). All these are tasks that should be entrusted to Mexican ambassadors abroad.

Foreign trade diversification is an important key to assess the degree of a country’s development.

Mexico participates in the global markets as a nation open to trade and investment, and there are factors such as the degree of openness of the national economies and their participation in the markets of the partner countries that indicate the probability of success in this effort. With this in mind, diversification has to be seen as an essential issue for successful foreign trade that functions as a dynamic promoter of the country's development.

More diversification can allow Mexico more autonomy to make its own public policy. This could and probably will, strengthen the internal market. The search for new markets for Mexican exports and the deconcentrating of them to the U.S. market can reduce Mexico's dependence on our historical ally, the USA.

In closing, the future for Mexico means following pragmatic objectives of positioning Mexico in the international economy. This means active participation in multilateral trade organizations, the on-going opening of economic opportunities and steady promotion of Mexico's image abroad. Despite being a strategy of economic development in Mexico, it has not been possible to deconcentrate Mexican exports to the U.S. market, but despite that, the results of economic diversification do not reflect significant improvements in the levels of the country’s development to date.

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