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Economic Statecraft through the Use of Two-Level Games

Mexico's Successful Diplomacy in NAFTA and the Pacific Alliance

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According to U.S. president Harry S. Truman (1945–1953), "foreign and economic relationships are indivisible."[1] The truth of this statement is evidenced by Mexico's successful use of diplomacy in negotiations leading to signature economic treaties. To achieve this success, Mexico undertook a process of concerted actions with clear goals that encompassed domestic and foreign interests while utilizing presidential leadership, trained negotiators, and professional lobbyists. In this chapter, we examine Mexico's effective use of diplomacy to achieve economic ends through the North American Free Trade Agreement (NAFTA) and the Pacific Alliance—a new free-trade pact comprising Chile, Colombia, Peru, and Mexico. The Pacific Alliance was launched in 2011, and the four countries' negotiators concluded the first stage of liberalization in February 2014 through the signing of the Additional Protocol to the Framework Agreement of the Pacific Alliance. These two negotiation processes represented the intimate intertwining of both foreign and domestic economic policies for Mexico.

It is no exaggeration to say that NAFTA marked a sea change in U.S.-Mexico relations. The agreement, which went into effect in 1994, prompted bilateral cooperation beyond the core issues of trade and economic matters. In a similar fashion, the Pacific Alliance has allowed Mexico to foster cooperation beyond just trade and economic issues in order to consolidate a new subregion in Latin America that will provide for the free mobility of persons as well as a special outlook for economic relations with Asian Pacific countries.

NAFTA and the Pacific Alliance are cases of successful diplomacy because Mexico negotiated each in such a way that permitted it to conclude both agreements. Moreover, the goals of the treaties have been achieved: the deepening of Mexico's trade and economic relations with the world has favorably influenced Mexico's foreign policy and international prestige—both directly and through substantial spillover effects. In regard to direct results, by using economic tools and promoting a free-trade agenda, Mexico has strengthened its diplomacy and presence abroad. Regarding indirect effects, it is thought that a greater Mexican diplomatic and economic presence in the United States and Latin America will strengthen its economic security, and also that there have already been other positive results related to democratic gains.[2]

Why are the negotiations of NAFTA and the Pacific Alliance worthy of being singled out as cases of truly successful diplomacy? It is because both of these cases resulted in permanent changes in foreign and domestic policy that not only fundamentally changed visions of Mexico's place in the world but also resulted in significant alterations to Mexico's economy. Given the asymmetry of power between Mexico and the United States, it is no surprise that the prime objective of Mexico's diplomacy for many years was to protect its sovereignty. As a result, the traditional Mexican diplomatic agenda did not generally embrace the types of negotiations that promote either strong or heterogeneous domestic constituencies. With economic treaties, however, there will always be strong domestic constituencies as well as long-lasting policy consequences. Thus, although the preceding trade negotiations in the early 1980s were deemed to be a diplomatic success (especially vis-à-vis the United States), there were few domestic spillovers and even fewer permanent policy changes.[3]

This chapter relies on Robert Putnam's two-level game concept as an analytical tool to explain the success of both the NAFTA and the Pacific Alliance negotiations.[4] This approach takes into account several factors that are important to understanding the success of the negotiations, including how domestic constituents are handled and engaged, and what the expected spillover effects are. First, it sets forth that to be successful, central decision-makers must strive to reconcile domestic and international imperatives simultaneously.[5] Second, it recognizes that negotiations lead to adoption of policies different from those that would have been pursued in the absence of international negotiations, and that agreement is often possible only because a powerful minority within each government favors the internationally demanded policy due to domestic realities.[6] Furthermore, it is often the case that in the absence of international pressure, policy changes would likely not have been pursued, and that even if they were pursued, they would certainly not be implemented on the same scale or even within the same time frame.[7] This seems to be particularly true of economic negotiations.[8]

Mexico's negotiations of NAFTA and the Pacific Alliance offer parallels to the two-level game concept. Presidential involvement was strongly present in the negotiations of each treaty, as the agreements were at the top of the respective agendas. During the NAFTA negotiations, President Carlos Salinas (1988–1994) exercised important leadership by building a strong negotiating team. Regarding the Pacific Alliance, President Felipe Calderón (2006–2012) personally attended six meetings and promoted effective coordination between the foreign and economic ministries dealing with the negotiations. Subsequently, President Enrique Peña Nieto (2012–2018) followed up with a series of five summits with the leaders of the other Pacific Alliance countries. It is important to note that in both cases, Presidents Salinas (with NAFTA) and Calderón and Peña Nieto (with the Pacific Alliance) played Level II (domestic-focused) games by placing special attention on two constituencies: the Mexican Senate and the private sector. Even though there are clear differences in the scope and details of both cases, there are also numerous similarities, including the existence of prior agreements that paved the way for a later deepening of the economic relationship, the involvement of the private sector, and the coincidence of both agreements with significant internal economic reforms.

In these two cases, it is also intriguing how Mexico was able to turn what should have theoretically been its primary negotiation weakness into a source of strength. The supposed weakness was due to a paradox inherent in the two-level game concept: that institutional arrangements which strengthen decision-makers at home may weaken their international bargaining positions, and vice versa.[9] That is, a system that should make domestic ratification easy also makes the preceding international negotiation much more difficult. With regard to Mexico, its political arrangement features a heavily centralized system with a strong executive and relatively weak legislative and civil sectors. This system seems to present negotiators with few real limits to their capacity to make promises, and it is within this context that we see the paradox at work.

We can begin to understand the paradox when we observe that government negotiators typically must negotiate simultaneously with government officials from other countries as well as their own domestic agencies or constituencies.[10] The two-level game is therefore usually played with foreign counterparts (Level I, or international negotiation) and with domestic constituencies (Level II, or domestic ratification). As a result, what is agreed to with the foreign counterparts must be perceived as acceptable to domestic constituencies in order for a treaty to be ratified.

The perceived interest of the domestic constituency is routinely used as a powerful bargaining chip. This is what Thomas Schelling referred to when he wrote that "the power of a negotiator often rests on a manifest *inability* to make concessions." That is, the more constrained negotiators are seen to be, the more credible any statements that they *could not possibly* yield to the demands of their counterparts sitting across the table will be. Schelling noted that U.S. negotiators generally make effective use of the constraints imposed upon them by Congress.[11]

How President Salinas and later President Peña Nieto (to a lesser but still significant degree) were able to overcome the constraints placed upon them by domestic forces is an important part of the story of why the NAFTA and Pacific Trade Alliance negotiations can be seen to go beyond mere diplomatic successes to constitute successful diplomacy.

Background: Mexico's Trade Policy

Since 2006, Mexico's international trade policy has focused on (1) deepening and improving its relations with its existing trade partners and creating new agreements with emerging economies and (2) integrating wider free-trade areas through treaties to promote specialization, economies of scale, and the integration of production value chains. In its international trade policy, Mexico has prioritized its relationships with North America and Latin America.

North America

In 2013, North America's gross domestic product (GDP) constituted 26.9 percent of world GDP (the European Union participated with 23.4 percent).[12] The three North American countries composing NAFTA represent a potential market of 473 million consumers with high purchasing power.[13] In the NAFTA area, trilateral commerce reached 1.1 trillion dollars in 2013, a figure accounting for 5.8 percent of world trade.[14] In that year, North America registered 82.6 percent of Mexico's exports and 48 percent of its imports.[15] Since 1999, Mexico has received 191.3 billion dollars in foreign direct investment (FDI) from Canada and the United States, an amount that accounts for 53 percent of the total FDI received during that period.[16]

Latin America

During the last decade, Latin America[17] has become the second most dynamic economic region in the world, with only Asia ahead. Between 2000 and 2012, its gross domestic product (GDP) grew at an annual average rate of 3.21 percent (European Union, 1.25 percent; Japan, 0.71 percent; United States, 1.74 percent).[18] It is a market with over 560 million potential consumers.[19] Latin America also has increasing purchasing power: from 2000 to 2012, its GDP per capita grew 20.3 percent (whereas North America's grew 8.9 percent, the European Union's 10.8 percent, and East and Pacific Asia's 32.2 percent).[20] In 2012, 75 percent of Latin American imports were manufactured goods, an area in which Mexico has a comparative advantage as witnessed by the fact that manufactured goods constituted 74.3 percent of its global exports that year.[21] Latin America is a natural market for Mexican companies, particularly for small and medium enterprises (SMEs). In 2011, almost 60 percent of the Mexican companies that exported to this region were SMEs.[22]

The North American Free Trade Agreement

Economic Background

Mexican foreign trade has historically been and continues to be concentrated in the United States, which is the main destination for Mexican exports and the main source of its imports. Table 9.1 shows three major trends in this regard. First, the U.S. share of Mexico's total trade remains at approximately 70 percent from the 1970s to the present. Second, Mexican international trade shows an impressive increase during the 1970s and 1980s. This can be explained by the transition of the Mexican economy from an import substitution industrialization model to one based on exports, with important participation of the oil sector. Finally, both Mexican exports to the United States and imports from the United States showed a sharp increase from 1993 to 2000. This can be explained by the significant effect of NAFTA as a facilitator of trade.

Table 9.2 shows a comparison of total trade for North America, the European Union, and East Asia from 1990 to 2012. Of the three economic regions, North America has the largest asymmetry between the markets. In 1990, when NAFTA was launched, the United States accounted for 74 percent of total trade in the three North American countries, and Mexico had only 7 percent. This asymmetry represented both a challenge and an opportunity for Mexico. The challenge was the heavy dependence of Mexican trade on the U.S. market. The opportunity was for Mexico to negotiate a free trade agreement that would enhance its economic standing in North America.

Tables 9.2 and 9.3 show some of the trade dynamics caused by NAFTA. Mexico's participation in North American total trade increased from 7 percent in 1990 to 13.5 percent in 2012 (see Table 9.2). Table 9.3 shows the impact that NAFTA had in increasing Canadian and Mexican trade with the United States. Total U.S. trade with Canada and Mexico increased from US$ 340.5 billion in

Table 9.1 **Mexican Merchandise Trade, 1990–2013**

Year	*Exports to U.S. (US$ billion)*	*Imports from U.S. (US$ billion)*	*Trade with U.S. as % of global*	*Trade with Canada as % of global*
1970	0.90	1.6	66	N/A
1980	9.90	12.60	64	N/A
1993	37.89	43.46	75.79	2.41
1995	59.75	51.68	79.20	2.33
2000	135.22	121.02	80.96	2.20
2005	158.32	106.12	68.19	2.46
2009	159.10	97.28	62.10	3.58
2013	263.46	154.08	62.24	2.84

Source: 1970 and 1980 data - Revista Mexicana de Comercio Exterior, 1994; and 1993 to 2013 data - estimates using data from Banco de México available at: <www.banxico.org.mx/estadisticas/index.html>.

1993 to 729.3 billion in 2000. In contrast, during this same time period, Japanese and Chinese trade with the United States grew less dynamically, as did German and British trade (see Table 9.3). It is also noteworthy that Canadian and Mexican trade with the United States reduced its rate of growth in the first decade of the twenty-first century. Moreover, due to the U.S. economic crisis in 2008 and 2009, North American trade showed a decline.

The NAFTA Negotiations

NAFTA marked a watershed in the U.S.-Mexico relationship. By embracing NAFTA, the Salinas administration put an end to the traditional resistance to further economic integration with its neighbor to the north. For the Mexican government, the essential goal of the agreement was to take advantage of being next door to the largest world market.

NAFTA had an enormous scope, encompassing almost all economic sectors. However, Mexico excluded the energy sector from the negotiations on political grounds, and the United States set aside immigration. Although the primary impact of NAFTA was economic, there were important spillovers into other areas of the bilateral relationship. For example, the three signatory countries agreed to an unprecedented level of cooperation and to monitor one another's compliance with national regulations concerning environmental and labor issues. Moreover, Mexico and the United States engaged together in the peace process in El Salvador. It is for these reasons that Mexican historian

Table 9.2 **Total Trade for North America, the European Union, and East Asia: 1990–2012**

Group or Country	*Total trade (US$ billion) and % of total trade for each country (in parentheses)*	
	1990	*2012*
North America	1,539,655	5,563,789
U.S.	1,141,609	3,882,657
	(74)	(69.8)
Canada	296,702	929,740
	(19)	(16.7)
Mexico	101,544	751,391
	(7)	(13.5)
European Union	3,066,830	11,646,951
Germany	776,786	2,574,521
	(25)	(22.1)
U.K.	408,149	1,148,778
	(13)	(9.8)
East Asia	720,566	6,618,749
China	57,645	3,866,883
	(8)	(58.4)
Japan	533,218	1,684,412
	(74)	(25.4)
South Korea	129,701	1,067,454
	(18)	(16.1)

Source: 1990 data - Robert A. Pastor, *The North American Idea: A Vision of a Continental Future*, 2011; 2012 data - estimates using data of the World Bank, available at: <databank.worldbank.org>.

Lorenzo Meyer wrote, "The year 1990 (when NAFTA negotiations were launched) shall be considered an historic date in the evolution of U.S.-Mexican relations," because Mexican elites brought about "an historic shift in the definition of the national interest facing its powerful northern neighbor."[23]

NAFTA inaugurated a new period in Mexican foreign policy in which one of its long-standing end goals—autonomy from Washington—came to an end. During the Cold War, Mexico's most internally celebrated diplomatic triumphs were the decisions to oppose the U.S.-backed resolution in

Table 9.3 **Total U.S. Trade of Goods and Services with Partners in North America, Asia, and Europe, 1986–2013 ($US million)**

Countries	*1986*	*1993*	*2000*	*2007*	*2009*	*2010*	*2013*
Canada and Mexico	179,694	340,535	729,299	1,027,573	918,655	1,038,171	1,296,243
Japan and China	134,172	234,791	387,803	684,046	727,880	746,508	900,597
Germany and the United Kingdom	91,658	152,440	266,138	411,378	518,730	378,915	433,742

Source: 1986 to 2010 data - Robert A. Pastor, *The North American Idea: A Vision of a Continental Future*, 2011; 2013 data - estimates using data of the U.S. Department of Commerce: available at: <www.bea.gov/international/index.htm>.

the Organization of American States (OAS) to oust Cuba from the Inter-American System in 1962 and the creation of the Contadora Group in 1983 (Mexico, Colombia, Panama, and Venezuela), which sought alternatives for peace in Central America that were sometimes in marked opposition to U.S. perspectives. In contrast, starting from the 1990s, there was a greater convergence in U.S. and Mexican foreign policies.[24] This is not to say that the two countries became totally free from differences and frictions. For example, in February of 2003, Mexico opposed the U.S.-backed resolution in the UN Security Council to invade Iraq. However, in this instance the goal of Mexico was not to mark its opposition publicly, but rather to avert the possibility of retaliation from Al Qaeda, which later struck in Spain in March 2004 and the United Kingdom in July 2005. Mexico later supported the United States in the Security Council in 2010 when it backed the U.S. and Germany's efforts to impede Iran from developing nuclear weapons.[25]

Paving the Way to NAFTA

In the aftermath of World War II, the United States became the leading force behind free trade in the Western Hemisphere, and the General Agreement on Tariffs and Trade (GATT) became its favorite international institution to foster global trade. In contrast, Mexico developed a highly protectionist trade regime as part of a strategy of import substitution industrialization, and as a result did not join GATT until 1986—forty years after its creation. These wildly divergent foreign trade strategies caused continual friction between the United States and Mexico. Surprisingly, these tensions did not seem to have a detrimental effect on either of the two economies during the 1960s and 1970s. As Sidney Weintraub noted, trade conflicts between the United States and Mexico were the result of these two worldviews, but as long as both countries prospered, as they did until the 1970s, the conflict was muted.[26]

In the 1980s, Mexico underwent important economic reforms, the most important of which was trade liberalization. This was achieved through a unilateral reduction of both tariff and nontariff trade barriers. The import substitution industrialization model (implemented from the 1950s to the 1970s) was replaced by an economy oriented toward manufacturing and export. As noted earlier, the sharp increase in Mexican exports to the United States during the 1970s and 1980s made the continued openness of the U.S. market very important to Mexico.

Paradoxically, just when Mexico opened up its economy and increased its reliance on exports in the 1980s, trade frictions between Mexico and the United States intensified, with the United States showing incipient signs of protectionism. Mexico's accusations of unfair trade practices on the part of the United States mounted, resulting in substantial uncertainty concerning Mexican exports. Meanwhile, there was a sharp rise in countervailing duty and antidumping suits against Mexican exports, and restrictive quotas were placed on Mexican steel exports. Canadian ambassador Rodney Grey described the antidumping and countervailing duty measures as "contingent protectionism." Imports were limited or supplemental duties were imposed in retaliation for what were considered unfair trade practices.[27] In 1984, Mexico signed the Voluntary Export Restraint (VER) on steel, a new U.S. trade protectionist mechanism. Through this agreement, Mexico "voluntarily" diminished its steel exports to the United States by half. Put another way, Mexico was assigned a quota that compelled a necessary reduction of steel exports.[28] Mexico had neither recourse nor resources to cope with rising U.S. protectionism. Despite the fact that the U.S. market was the main destination of Mexican exports, there was no legal framework with which to adjudicate U.S.-Mexico trade relations. Moreover, Mexico was not yet a member of GATT. In fact, Mexico had not signed a single trade agreement with the United States from 1942 through the 1980s.[29] To deal with its increasingly conflicting trade relations with the United States, Mexico decided to build a legal trade framework through a series of bilateral agreements during the second half of the 1980s, and it finally joined GATT in 1986.

Between 1985 and 1989, Mexico and the United States signed six bilateral agreements. The most relevant ones were the Subsidies and Countervailing Duties Agreement of 1985, the Legal Trade Framework I of 1987, and the

Legal Trade Framework II of 1989. In the Subsidies and Countervailing Duties Agreement, Mexico promised to stop subsidizing exports and in return was granted the "injury test," making the imposition of duties on Mexico more difficult by requiring U.S. industries to demonstrate proof of domestic injury.[30] The Legal Framework I was a mechanism for bilateral consultations preventing trade disputes, furthering trade and investment liberalization.[31] The Legal Trade Framework II went a step further by deepening and actively promoting the liberalization of trade and investment.[32] This emerging legal trade framework between the two countries paved the way to NAFTA, a surprise proposal made by Mexico in 1990.

Presidential Leadership in the NAFTA Negotiations

President Salinas had an ambitious agenda to foster foreign investment in Mexico and to promote exports. He believed Mexico's economic reforms in the late 1980s had made it an attractive market for foreign investors. The reforms consisted of four main elements: trade liberalization, deregulation, the privatization of state enterprises, and the setting in order of public finances.[33] Despite these improvements, Salinas and his trade minister, Jaime Serra, realized while at the 1989 World Economic Forum in Davos that the European Community and Japan were not ready to invest in Mexico. Europe was too busy managing the collapse of the Soviet Union—the wealthy Western European countries were entirely occupied with the reconstruction of Eastern Europe, and Germany's priority was reunification. Europe's goal seemed to be to build democratic, market-oriented regimes that would eventually become part of the European Union. Meanwhile, Japan had domestic deflationary pressures to contend with.

While at Davos, Salinas recalled that President George H. W. Bush (1989–1993) had proposed the possibility of a free trade agreement during a meeting in 1988 in Houston, Texas:

> I realized the advancement of globalization made urgent the negotiation of a Free Trade Agreement. . . . Once we decided to negotiate a Free Trade Agreement it was necessary to find out where the U.S. interest stood since I had rejected the offer (of soon-to-be President Bush) in 1988.[34]

The meeting had taken place before either man had been sworn into office. At that time, Salinas thought it was too early to negotiate an agreement of such great magnitude, but after realizing that neither the European Union nor Japan (the second- and third-largest world economies) were ready to invest in

Mexico, he decided to open the Mexican economy to the possibility of free trade with the United States.

Soon after returning from Davos in April 1990, Salinas dispatched some of his most trusted economic officials to Washington, D.C., to explore the possibility of initiating free trade negotiations with Bush's economic and trade teams. The Mexican contingent encountered initial resistance from the U.S. trade representative, Ambassador Carla Hills, who was devoted to the Uruguay Round of GATT. But President Salinas and his economic team had decided that the best way to foster the growth of the recently reformed Mexican economy was to initiate free trade negotiations with its neighbor to the north.

On June 10, 1990, Salinas traveled to Washington, D.C., with the sole purpose of convincing President Bush to launch free trade negotiations.[35] The two presidents met at Camp David, where President Bush hosted a dinner for his Mexican counterpart. The reception preceding the dinner was attended only by Bush's closest economic and trade advisers.[36] According to Bush's press secretary, Marlin Fitzwater, "Both leaders believe[d] that the United States and Mexico would each derive substantial and long-term benefits from a comprehensive bilateral trade agreement. They agreed that bilateral efforts to maximize trade and investment opportunities [could] and should complement the trade liberalization achieved in the Uruguay round of the GATT."[37] In the end, Salinas and his team's perseverance paid off. President Bush acquiesced to bilateral meetings in preparation for the negotiations. Even though American trade negotiators were busy with the Uruguay Round of GATT, it was difficult for President Bush to deny Salinas a negotiation that he had first suggested.

To prepare for the negotiations, the Mexican government established a new office in Washington, D.C., dedicated solely to the negotiating effort. President Salinas and Trade Minister Serra also put together an impressive team of technocrats located in both Mexico City and Washington. The team included dozens of highly trained professionals with prestigious graduate degrees.[38] For example the top negotiator, Trade Minister Serra, had a Ph.D. in economics from Yale University.

Although Mexico was well prepared to enter negotiations, it is not clear whether these preparations in and of themselves would have been sufficient to guarantee success. At the time of the NAFTA negotiation's launching, Mexico and the United States revealed important contrasts in their decision-making processes. Formally, both governments were presidential regimes with separation of powers; but in practice, there were deep differences, the most emblematic was that in Mexico, the same party (the Institutional Revolutionary Party, or PRI, using its Spanish acronym) had been in power for sixty-five years.[39] Another key difference was that in Mexico in the early 1990s, power was highly centralized in the Mexican presidency, with neither Congress nor the courts, to say nothing of civil society, providing a sufficient balancing force. As noted earlier, the paradox noted in Robert Putnam's two-level game concept signifies that international negotiation is much more difficult when domestic ratification is seen to be easy, meaning that the differences in the Mexican and U.S. policymaking processes should have had a significant impact on Mexico's negotiating capacities vis-à-vis the United States.

Thus, during the NAFTA negotiations, it was expected that American negotiators were to keep in mind both their Mexican counterparts and their domestic constituencies, but there was no equivalent expectation out of Mexico.[40] As described by Jorge Dominguez, "Mexican President Salinas would have been literally 'incredible' if he had attempted to argue, in negotiation with the United States, that he was constrained by Congress or the courts in making or unmaking commitments."[41] In that case, how were the negotiations necessary to create successful diplomacy accomplished?

President Salinas's skill in playing Level II (domestic) games was an important factor in the success of Mexico's negotiations. Salinas unexpectedly placed special attention on two domestic constituencies: the Mexican Senate and the private sector. In addition, he was also able to successfully capture much of the U.S. domestic constituency.

Once President Bush acquiesced to launching negotiations leading to NAFTA, President Salinas formally asked the upper chamber of the Mexican Congress to establish a consultative process on whether it would be in the national interest to negotiate a free trade agreement with the United States. The Senate proceeded with the consultation and soon thereafter announced that such an agreement would result in great benefit to the Mexican economy.[42]

To secure the backing of the private sector, the administration facilitated the creation of the Business Coordination of Foreign Trade (Coordinadora de Organizaciones Empresariales de Comercio Exterior, or COECE in its Spanish acronym). COECE integrated each economic sector: steel, cement, textiles, construction, toys, agribusiness, and many others.[43] COECE business leaders became the inseparable companions of Mexican NAFTA negotiators, or in negotiation jargon, the "next-door chamber." Always present and ready with assessments on how NAFTA was going to affect their own economic sectors, COECE became an effective negotiation tool. Moreover, COECE leadership was asked by President Salinas to engage in a lobbying campaign in the United States in order to secure the successful negotiation of NAFTA and its eventual approval by the U.S. Congress. COECE hired lobbyists in Washington, D.C., who shepherded top Mexican businesspeople within the corridors of the Capitol. At the same time, Minister Serra and Chief Negotiator Blanco hired over a dozen lobbying firms in Washington as well as in key states such as California and Texas. The lobbying firms centered their efforts on key members of Congress and crucial constituencies such as Latinos, states bordering Mexico, and business organizations.

In this way, President Salinas transformed his negotiating weakness—that is, not having domestic constituencies that would limit his negotiation capacities—into a strength for his negotiators. Instead of ignoring the Mexican Congress and the private sector due to their relative lack of strength, President Salinas recruited them, especially the business sector, as an integral part of the negotiating team.

NAFTA became President Salinas's single most important foreign policy initiative. He and his entire economic team became very engaged in securing the approval of NAFTA. One can argue that Salinas became Mexico's number one self-taught lobbyist. He traveled extensively to the United States to popularize the idea of the agreement. To counter the accusations of U.S. environmental groups that Mexico did not properly implement its own environmental laws, President Salinas took bold steps such as closing the largest oil refinery in Mexico City and implementing dolphin-safe fishing practices. When problems arose in other areas of the bilateral relationship, President Salinas rushed his cabinet ministers to resolve them. For example, as a result of the 1985 murder of U.S. Drug Enforcement Administration agent Enrique "Kiki" Camarena, the agency kidnapped a Mexican doctor, Humberto Álvarez Machain, in 1992. Mexico used all of its diplomatic leverage to make sure that this bilateral friction did not negatively affect the NAFTA negotiations.

For the first time in Mexican diplomatic history, the Mexican government made full use of every resource available in the U.S. policymaking processes in order to pass NAFTA. In addition to hiring lobbying firms, the Mexican negotiating team encouraged the United States' most prominent business organizations and think tanks to come out with favorable reports on the projected impact of NAFTA. The Washington-based think tanks, the Center for Strategic and International Studies and the Overseas Development Council, created programs almost entirely dedicated to fostering the passage of the agreement. In addition, Mexico created a national program to nurture Mexican-American organizations. These organizations were very helpful in places like California and Texas in ensuring that their congressional delegations were favorable to NAFTA.

In sum, Mexico's successful negotiation of NAFTA and the eventual passage of the agreement by the U.S. Congress were the product of effective diplomacy. President Salinas's success was the result of a three-pronged game. First, Mexico's negotiating team played a Level I game with the U.S. and Canadian negotiators. At the same time, Salinas played two Level II games, the first with Mexican domestic economic and political constituencies, and the second—through his lobbying efforts—with U.S. economic constituencies and Congress.

The Pacific Alliance

Economic Background

The Pacific Alliance has become one of the most dynamic economic integration processes in Latin America and has caught the attention of the international community. The Pacific Alliance represents a potential market of 216 million consumers with rising purchasing power. Although intrabloc exports are low (less than 5 percent) and the added value of Pacific Alliance inputs in each country's exports is small (12 percent in Peru, 10 percent in Colombia and Chile, and close to 2.5 percent in Mexico), there is great potential for further integration of each member's value chains in sectors such as mining, chemicals, textiles and apparel, and the agroindustry.[44] See Table 9.4 for a comparison of its economic weight with other regional initiatives.

Table 9.4 **Economic Weight of Various Regional Initiatives, 2012**

	Pacific Alliance	*Mercosur*	*ASEAN*	*TPP*
GDP (US$ million)	2,015,684	3,307,835	2,281,023	28,117,758
% Latin America	35	58	N/A	N/A
GDP per capita (US$ million)	9,331	11,822	3,749	35,351
Total trade (US$ million)	1,116,965	822,021	2,474,969	7,860,831
Exports (US$ million)	556,033	437,139	1,253,513	3,555,479
% Latin America	51	40	N/A	N/A
Imports (US$ million)	560,932	384,882	1,221,456	4,305,352
% Latin America	52	36	N/A	N/A
Population (millions)	216	279	608	795
% Latin America	38	49	N/A	N/A

Notes: Latin America includes Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The Pacific Alliance comprises Chile, Colombia, Mexico, and Peru.

Mercosur includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela. The

ASEAN countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam (GDP estimates do not include data from Myanmar).

TPP includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

Source: estimates using data of the World Bank, available at: <databank.worldbank.org>.