
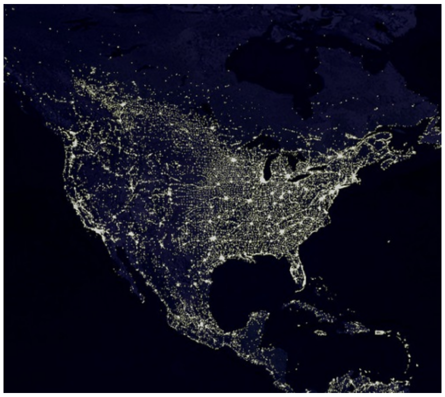


ECHOES OF 1992

The NAFTA Negotiations and North America Now

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Echoes of 1992: The NAFTA Negotiations and North America Now

by Tom Long[1]

Two decades ago, Canada, Mexico, and the United States created a continental economy. The road to integration from the signing of the North American Free Trade Agreement has not been a smooth one. Along the way, Mexico lived through a currency crisis, a democratic transition, and the rising challenge of Asian manufacturing. Canada stayed united despite surging Quebecois nationalism during the 1990s; since then, it has seen dramatic economic changes with the explosion of hydrocarbon production and a much stronger currency. The United States saw a stock-market bust, the shock of 9/11, and the near-collapse of its financial system. All of these events have transformed the relationships that emerged after NAFTA entered into force in 1994.

Given the tremendous changes, one might be skeptical that the circumstances and details of the negotiation and ratification of NAFTA hold lessons for the future of North America. However, the road to NAFTA had its own difficulties, and many of the issues involved in the negotiations underpin today's challenges. Questions about how to build cooperation amidst asymmetry remain central. For different reasons, important aspects of the bilateral U.S.-Mexico relationship—energy, labor mobility, and security—were largely omitted from the talks in the early 1990s; they dominate the agenda today. It remains an open question whether Mexico and Canada will seek to be closer partners, or prioritize individual, bilateral relationships with the superpower. These issues were at the heart of the agenda that faced the North American leaders in their summit in Toluca, Mexico, in February 2014.

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NAFTA was conceived at a time of profound change in the international system. When Mexican leaders surveyed the world two decades ago, they saw emerging regional groupings in Europe, Asia, and South America. Faced with a lack of interest or compatibility, they instead doubled down on North America. How did Mexican leaders reconsider their national interests and redefine Mexico's role in the world in light of those transformations? Unpublished Mexican documents from SECOFI, the secretariat most involved in negotiating NAFTA, help illustrate Mexican thinking about its interests and role at that time. Combining those insights with analysis

[1] My thanks to Christopher Wilson, Duncan Wilson, Kimberly A. Nolan García, Jorge Chabat, and Mark Aspinwall for their helpful comments during the preparation of this paper.

of newly available evidence from U.S. presidential archives, this paper sheds light on the negotiations that concluded two decades ago.

The decisions made more than two decades ago have had widely recognized implications for the continental economy, with trade quadrupling and foreign direct investment quintupling since the agreement was signed. NAFTA emerged from, but also affected, ongoing processes of political and economic change in Mexico. The three countries began to relate to one another differently in the wake of the agreement. Institutions were created, though some have fallen into desuetude. Many of the dynamics of North America today, from Mexico's reform agenda to continental concerns about competitiveness, have their roots in the conditions that produced NAFTA, in the agreement itself, and in the tremendous transformations it wrought. After two decades of deeper, albeit uneven, integration, the stakes for North America are even higher. In today's world, highlighted by the rapid emergence of China, should Mexico, Canada, and the United States once again place their bets on North America?

The three countries of North America need to grapple with questions of whether, when, and how they will present a united face to the world. As Christopher Wilson wrote earlier this year, we should "judge North American cooperation and integration by the three countries' ability or inability to rise to level of the challenges they face."[2] Two decades ago, NAFTA grew out of an attempt to address national challenges—many of which remain. This paper will re-examine the proposal and negotiations of NAFTA, drawing several lessons that are relevant in this new North American context. First, NAFTA sought to address, in part, big questions about Mexico's role in the world, as well as how the new entity of "North America" fit in a global context. With today's international system again characterized by profound shifts in relative power, these questions are once again salient. Secondly, the years of the negotiations were an inflection point for Mexican politics, economics, and society. Looking back at that period provides context for understanding today's reforms and to Mexico's continued struggles to build stronger, more equitable institutions. Finally, returning to the NAFTA's starting line, with an eye on the present, suggests where North America should focus its energies today.

Many of the dynamics of North America today, from Mexico's reform agenda to continental concerns about competitiveness, have their roots in the conditions that produced NAFTA, in the agreement itself, and in the tremendous transformations it wrought.

[2] Christopher Wilson and David Biette, eds., *Is Geography Destiny: A Primer on North American Relations*, Woodrow Wilson International Center for Scholars, February 2014, pp. 8.

Global North America

During January 1990, Europe found itself in a tumultuous state. Perhaps surprisingly, Mexican President Carlos Salinas found himself, along with much of his economic team, on the continent to experience a portion of that tumult. While the motivations for the Mexican trip had little to do with the massive changes occurring in Central and Eastern Europe, those changes made a significant impression. It was on that trip, on the sidelines of the World Economic Forum in Davos, Switzerland, that Salinas and his team decided to pursue a free trade agreement with the United States.[3]

At first glance, it seems odd—and perhaps coincidental—that such a major shift in the North American economic landscape began so far from North America. However, it was hardly a coincidence. The changes happening in Europe, and Mexican perceptions of how those changes would affect the global order, spurred a fundamental question. After the Cold War, what will be Mexico's place in the world?

It has been two decades since NAFTA came into force; 2014 also marks a quarter century since the fall of the Berlin Wall. Though the two events are rarely linked in the public consciousness, the dramatic end of the Cold War order created the global context for the Mexican decision to pursue deeper integration with the United States.

The idea of free trade between Mexico and the United States had been discussed by academics and some in the business community for several years, but it had failed to gain serious traction in Mexican political circles. Economic changes within Mexico, stemming from its tremendous debt crisis and ensuing recessions in the 1980s, certainly played a role. So, too, did the liberal economic orientation of the Salinas government and the desire to "lock in" market reforms with an international treaty. However, the immediate impetus for the Mexican decision was the idea that the post-Cold War world would be one of regional groupings with an economic basis and political implications. As discussed below, Salinas referred at that time and later to his concern that Mexico would be shut out of emerging economic blocs, which coalesced quickly in the late 1980s and early 1990s.[4] This geopolitical vision and the diminution of Cold War conflicts opened the door for a significant reconceptualization of Mexican national interests and the Mexican relationship with the United States.[5]

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[3] Maxwell A. Cameron and Brian W. Tomlin, *The Making of NAFTA : How the Deal Was Done* (Ithaca, Ny: Cornell University Press, 2000), pp. 62; Carlos Salinas de Gortari, *México: Un Paso Dificil a la Modernidad* (Barcelona: Plaza & Janés Editores, 2000), 47-48. Author interview with Jaime Serra Puche, May 2, 2012, Mexico City, Mexico.

[4] The most salient was Franco-German agreement on German integration and on the Treaty of Maastricht, which was signed in February 1992, with the central points emerging throughout 1990-1991. However, Mexican economic officials were very attentive to the U.S.-Canada agreement and its possible ramifications for Mexico.

[5] For a discussion of Mexico's motives that emphasizes the international level, see Jorge I. Domínguez and Rafael Fernández de Castro, *The United States and Mexico : Between Partnership and Conflict* (New York: Routledge, 2001), 17-33.

NAFTA's Negotiations

Timeline

1981-1982
Recession and debt crisis
Set the stage for major economic reforms

July 15, 1986
Mexico joins the GATT
Precursor to the World Trade Organization

September, 1986
Uruguay Round GATT negotiations launched

January 2, 1988
U.S. and Canada sign a free trade agreement
Signifying the U.S.'s first major break from its policy prioritizing global over regional trade agreements

December 1, 1988
Salinas is inaugurated as Mexico's president
After a highly controversial election

November 9, 1989
Fall of the Berlin Wall
Marking a momentous of shift in global politics

November 22, 1989
Presidents-elect Salinas and Bush meet in Houston
Talks focused largely on debt

January 25-February 4, 1990
Salinas trade mission to Europe
In Davos, SECOFI Secretary Jaime Serra approaches USTR Carla Hills about a U.S.-Mexico FTA

Early May, 1990
Canadians initially indicate they have no interest in joining the negotiations

May 30, 1990
Canada turnaround
Notifies Serra they do want to join the negotiations

September 20, 1990
First trilateral preliminary discussion in N.Y.

September 25, 1990
Bush tells Congress he will seek fast-track authority
For trade talks with Mexico

November 26, 1990
Bush and Salinas meet in Monterrey, Mexico
They decide to exclude oil and migration in a tacit quid pro quo.

February 4-5, 1991
Mexico and Canada exchange letter regarding the conditions for expanding to trilateral negotiations
February 5. Bush notifies Congress that Canada will be included in the talks

May 23-24, 1991
Congress authorizes Bush's fast track authority for the Uruguay Round and NAFTA

June 12, 1991
NAFTA talks are officially launched
At a ministerial meeting in Toronto

December 14, 1991
Bush and Salinas meet at Camp David
Presidents press for a speedy conclusion of the talks

February 17-21, 1992
Mexico agrees to major changes to trade restrictions on corn

July 14, 1992
Bush and Salinas attend a baseball game in San Diego, aim to complete agreement by Aug. 1st.

August 2, 1992
Final Talks begin at Watergate Hotel
Bush is pressed to sign a treaty to boost his fortunes in the forthcoming November elections. A statutory 90-day waiting and comment period meant time had nearly expired.

August 12, 1992
The 3 ministers conclude the negotiations

October 4, 1992
Presidential candidate Bill Clinton offers qualified support for NAFTA
But says that the deal needs stronger environmental and labor safeguards

October 7, 1992
The three negotiators initial the FTA texts in San Antonio.

November 2, 1992
Bill Clinton is elected president
Creating doubts about the prospects for NAFTA ratification. Salinas urges him to move ahead with a speedy ratification.

December 17, 1992
Bush, Salinas and Mulroney sign NAFTA
At separate ceremonies in each national capital

March 27, 1993
Fist substantive meetings on the labor and environment side agreements in Washington, D.C.

June, 1993
U.S. begins softens its position on sanctions as the primary punitive measure in the side agreements
In response to unified Canadian and Mexican opposition

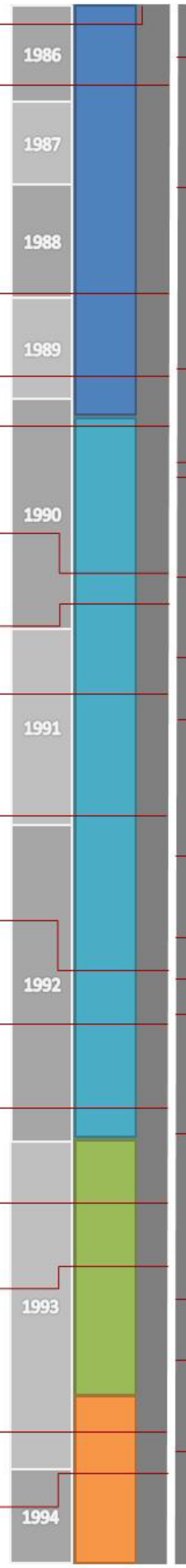
August 12, 1993
Agreement reached on labor and environment
Including weak international bodies, and only a slight possibility of sanctions for labor or environmental issues.

September 14, 1993
Side agreements are signed

November 14, 1993
Clinton submits NAFTA and the side agreements to the U.S. Congress for ratification

November 17-20, 1993
U.S. House and Senate ratify NAFTA
After much legislative debate, and after Vice President Al Gore outperforms Ross Perot in a televised debate over the agreement's merits.

January 1, 1994
NAFTA enters into force
The same day the Zapatista uprising begins in Chiapas



- Factors leading to the negotiations
- Negotiation process
- Negotiation of the side agreements
- Ratification and entry into force

Out of the three North American countries, the question of global role was most pressing for Mexico. The United States would be the world's remaining superpower, with a global role that might be even greater. Canada was a NATO ally and had recently concluded a free trade agreement with the United States, cementing its political and economic place in the world. For Mexico, the Cold War's sudden conclusion raised greater doubts. Mexican policy long sought to maintain at least rhetorical distance from its northern neighbor, to avoid U.S. anti-communist crusades, and to construct some degree of economic self-sufficiency.[6] With the bipolar order crumbling, Mexico's role of neutrality and resistance seemed to dissipate; this was compounded by a loss of faith in its economic model, as the failure to achieve greater self-sufficiency was exposed by mounting debts. In a world of regional groupings, it appeared to its leaders that Mexico would need to join a group in order to have options for trade partners, sources of capital, and political allies. However, hesitancy about the possibility of joining a U.S.-Canada bloc remained. PRI party symbolism often burnished a heritage of leftist, social revolution, even if there had been increasing distance between historical principles and contemporary actions. In its first months, the Salinas administration explored the possibilities of building connections to distant, major economies. Explicit, high-profiled ties with the United States remained a tough sell in many corners of Mexican politics.

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Today, the world again finds itself in a moment of transition. The rising economic power of China, the renewed assertiveness of Russia, and the emergence of a number of middle powers as significant actors is transforming the global system. Though the changes are not as dramatic or sudden as those of 1989, they demand greater strategic vision from North America. These fundamental questions remain today. How will Canada position itself to benefit from the new order? Will the U.S. lead the way to reform institutions, regionally and globally, or muddle through with the old ones?

Just as during 1990, the questions are perhaps most pressing for Mexico. What is Mexico's role in the world? How will Mexico relate to centers of global power—especially the United States? Mexico's global identity contains contradictions and uncertainties. Will Mexico be a Pacific nation or an Atlantic one? Will it be Latin American or more fully North America? While these

[6] Robert A. Pastor and Jorge G. Castañeda, *Limits to Friendship: The United States and Mexico* (New York: Alfred A. Knopf, 1988).

may be false dichotomies, choices must be made if Mexico is to develop and consolidate its position as an international power. Mexico has been more consistent than the United States or Canada about its desire to deepen North American integration, leading to questions about whether sufficient reciprocity exists for Mexico to deepen its reliance on the relationship. Mexico has signed a host of additional trade pacts in an attempt to diversify its links to the world through the Pacific Alliance and FTAs with Europe, Japan, and others. Mexico has, to an extent, diversified the sources of its imports and of its foreign direct investment. However, North America—especially the United States—retains its centrality, purchasing over 80 percent of Mexican exports in 2012.[7] Will Mexico be able to build on the North American relationship to enhance its position in the global economy, or will its network of agreements serve instead as alternatives to slower-growing North American commerce?

Mexico faced analogous choices in 1990 as it watched the old international structure collapse. To some extent, Mexico's response was guided by the economic catastrophes that came home to roost during the debt crises of the early 1980s. Agreements with the IMF in 1982, the creation of the liberally minded Secretaría de Comercio y Fomento Industrial (SECOFI) in 1983, the Baker Plan to restructure debt in 1985, and most importantly the 1986 accession to the GATT had all opened the Mexican economy and brought it more completely into the U.S.-led liberal order.

However, those steps fell well short of seeking the level of integration with the U.S. that a free trade agreement would produce. Salinas and his top economic officials indicated in late 1988 and early 1989 that the differences in levels of development made a full FTA with the United States undesirable from a Mexican point of view. Their attention was consumed by Mexico's crushing debt. In April 1989, Mexico's national development plan opposed the formation of regional trading blocs, saying they "create a challenge for Mexican trade policy."[8] On October 10, 1989, SECOFI chief Jaime Serra Puche told a press conference that, "It is not possible, because of the different levels of developments between the two countries, to think in the short or medium term of a free trade agreement between the two countries."[9]

One month after Serra's press conference, East Germans began streaming into West Berlin, inaugurating two years of dramatic change.[10] It took a couple months, and a tour around distracted Western Europe capitals, for the importance of the changes to Mexico to fully sink in. Western Europe would, for the foreseeable future, be focused on its own challenge of integrating polities with divergent levels of economic development. The changing international landscape weighed heavily on Salinas' thinking. Despite the official policies set out a year before, in July

[7] "Trade Profile: Mexico," World Trade Organization, March 2014.
[8] Plan Nacional de Desarrollo and Programa Nacional de Modernización Industrial y del Comercio Exterior, Documents 3 and 4 in Documentos Básicos.[8]
[9] Jaime Serra, press conference, October 10, 1989, classification 10.01.00.00, caja 1, exp. 2, Archivo General de la Nación, Mexico, D.F., [pp. 1-18].
[10] For an excellent account based on exceptional documentation, see M. E. Sarotte, *1989 : The Struggle to Create Post-Cold War Europe* (Princeton, N.J.: Princeton University Press, 2009).

1990, Salinas mentioned privately that the world was moving to "an apparent reliance on blocs" and that Mexico would need to join or be passed by.[11] Europe's move towards union, as well as the Canada-U.S. FTA of 1988, reinforced these concerns. Salinas later wrote, "Our arguments in favor were clear: we had unilaterally opened since the mid-1980s and now we wanted reciprocity; commercial blocs were forming and we could not remain on the sidelines."[12]

On one level, this can be seen as a primarily domestic economic challenge. NAFTA, as has often been mentioned, was seen as a way to "lock in" liberalizing economic reforms. As early as July 1990, SECOFI noted that an FTA "offers the greatest possibilities of successfully consolidating the economic reforms that form the basis of our new development model."[13] The legacy of the debt crisis was the definitive move from import-substitution and the push to make Mexico a trading nation. On its own, that did not demand an FTA with the United States, but rather an insertion into the global economy. However, Mexico's accession to the GATT would produce fewer benefits if major trading partners had preferential agreements to which Mexico was not a party. The country would be even more reliant on possibly inconsistent U.S. economic policies, such as the Generalized System of Preferences, and limited, sectoral agreements, to sustain growth in its manufacturing and agricultural exports.

On another level, however, the end of the Cold War posed deeper questions about where Mexico fit into the world. Despite cultural affinities, closer association with Latin America did not offer Mexico a convincing path to the future. Mercosur was emerging at this same time, promising a common market in South America. However, as an essentially Argentine-Brazilian project, Mexico would have been a poor fit. There were attempts to resuscitate the Andean Community, but it lacked the market size and, especially, the capital that Mexico sought. Between negotiating a union, reunifying Germany, and bringing Eastern Europe into the market economy fold, the Europeans had their hands full. European leaders indicated as much when they met with Salinas.

This led Mexico to look to Japan as a promising alternative trade market and source of investment. Japan's tremendous post-war economic growth drew Mexican admiration and provoked hand-wringing in the United States about the emergence of a challenger. More directly, Japanese automobile manufacturers had already started to increase their presence in Mexico, and the promise of expanding high-value manufacturing led Salinas and his team to explore a Pacific option. This interest culminated with Japanese Prime Minister Toshiki Kaifu's visit to Mexico in September 1989. While the Mexicans were hoping the visit would spark substantial new investments—along with expanded pledges for debt relief—the visit was more the high-water mark than a sign of great things to come. The final declarations between Mexico and Japan lacked specific new pledges, and the visit failed to produce the hoped for torrent of investment.[14]

[11] Carlos Salinas, in conversation with Robert A. Pastor, July 28, 1990. Robert A. Pastor personal papers.
[12] Salinas de Gortari, pp. 56-57.
[13] "Informe sobre los trabajos del acuerdo bilateral de comercio," July 9, 1990, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-16.
[14] Domínguez and Fernández de Castro, pp. 23.

From Mexico's perspective, it seemed Japan was interested first in building an East Asian trading bloc, and secondly in maintaining trade with the United States. Visiting Mexico was in part a way for the Japanese to demonstrate a willingness to assist the United States with global economic problems like Latin America's debt crisis.[15]

With Japan's luster diminished, Mexican officials convened in the *gabinete económico* on January 8, 1990 to explore their options. Low oil prices were complicating Mexico's position, and the short-term payoffs of resolving the debt crisis had been more limited than expected. Investment had not picked up significantly. They hoped to stir interest in the Mexican economy in Europe, particularly at the World Economic Forum in Davos.

German Chancellor Helmut Kohl told Salinas that Mexico would "only be attractive as part of one of the three great blocs of international commerce," North America, Europe, or Asia.

In early 1990, Salinas and key advisors travelled to Europe, with the primary goal of building ties that could attract major investments and diversify Mexico's international economic relations. Salinas met with Portuguese President Mário Soares, Prime Minister Margaret Thatcher of the UK, and German Chancellor Helmut Kohl. Europe's attention was focused on Eastern Europe, and private and public investment would likely go east as well. Mexico needed to focus regionally to attain growth, Europeans advised their Mexican counterparts. Kohl told Salinas that Mexico would "only be attractive as part of one of the three great blocs of international commerce" (U.S.-Canada, Europe, and a less-well-defined Asian bloc).[16] The momentous changes in Eastern Europe provided a catalyst for integration in Western Europe, undermining Mexican attempts to bolster trade and investment relationships. The former Warsaw Pact states would now compete with Mexico as middle-income destinations for capital, and Mexico could not match their geographic and political importance to the Europeans. Mexican products might be less competitive in a more united Western Europe that favored emerging Eastern economies. When Salinas called Bush on March 8, 1990 to personally propose free-trade negotiations, Salinas said that "what's happening in the world and in Mexico suggests that we should speed up and broaden the scope of trade negotiations," with particular reference to Western Europe "getting the benefit of cheap labor from Eastern Europe."[17]

Before NAFTA, the Mexican Foreign Ministry stated that "Mexican trade policy has the clear goal of diversification, which is why we are seeking closer ties with the U.S.A., with Latin

[15] Karl Shoenberger, "Japan, Mexico pledge closer economic ties," *Washington Post*, September 6, 1989, pp. C4.
[16] Salinas de Gortari, pp. 47-48.
[17] "Telephone conversation with President Carlos Salinas de Gortari of Mexico," March 8, 1990, George Bush Presidential Library. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1990-03-08--Salinas.pdf

America, with the EEC, and the Pacific basin."[18] But not Europe, Asia, nor Latin America seemed to offer Mexico the promise it needed to emerge from its lost decade. With its options somewhat limited—and its dependence on the U.S. market already firmly established—Salinas doubled-down. North America emerged as the result.

Today, global economic relationships are also undergoing tremendous shifts, with some interesting parallels to 1990. Mexico continues to search for its elusive path to the developed world because, while NAFTA dramatically increased trade and investment, it did not bring increased wages, higher productivity, or wide-spread prosperity. Struggling with the challenges of rapid EU enlargement and near-zero growth, the prospects for dramatic growth in Mexico-EU trade and investment seem dim; only Spain (1.9%) and Germany (1.2%) buy more than 1 percent of Mexico's exports.[19] A rising Asian economy again captures imaginations with its potential for boundless economic opportunities—though this is now China instead of Japan. Growing relationships with Asia have displaced much of Mexico's trade with Europe. However, Mexico's trade with China has been largely one-way, and Chinese manufacturing has presented tremendous competition for Mexican producers in the U.S. market since China's 2001 admission to the World Trade Organization. Though Asian inputs and investment, importantly in automobiles, have grown in importance for Mexican manufacturing, these largely culminate in exports and joint production for U.S. markets.

So, the question remains similar, though the economic stakes have increased. Should Mexico again double down on North America, as it did in 1990, or will it need to diversify to spur further growth? Perhaps Mexico can broaden its insertion into the world economy from a North American platform. Or does its future lie elsewhere?

As before NAFTA, Mexico relies overwhelmingly on trade with the United States. In 1990, trade with the United States accounted for nearly 70 percent of Mexico's total trade; by 2012, that had declined to 64 percent. However, those numbers mask three trends. First, Mexican reliance on the United States for exports—now nearly 78 percent—has increased while its imports have diversified somewhat. Second, the volumes have skyrocketed, with Mexico's total trade increasing 13 times and trade as a share of its GDP doubling. Third, Mexico-U.S. trade now consists much more heavily of shared supply chains and jointly manufactured products than just finished products or commodities.

The half decade after NAFTA illustrated both the potential and the pitfalls of Mexico's tight relationship with U.S. After the disastrous 1995 recession and devaluation of the peso, Mexico recovered with five years of GDP growth averaging five percent per year. However, 2001 brought decreased trade and several years of weaker growth before another recession began at

[18] SRE, "Contexto económico del tratado de libre comercio México-Estados Unidos-Canadá.," July 16, 1990 classification 05.02.07.00, caja 1, exp. 14, Archivo General de la Nación, Mexico, D.F., pp. 5.
[19] Data from 2012. "World Integrated Trade Solution" database, World Bank, accessed Aug. 15, 2014.

the end of 2008. A tightening of the border following 9/11 and Chinese accession to the WTO created challenges for Mexican exporters.

Beyond economics, Mexico must consider where it may gain political influence. Increased integration has created greater interdependence with the United States, and where there is interdependence, there can be influence (even in the face of asymmetry). As before, Mexico sits at the intersection of forces of regionalization and globalization. In 1990, it appeared that world developments had constrained Mexico's options and pushed it toward the United States. Now, it is bound more tightly with the United States economically, socially, and politically. But the broader world is now less one of constraints than opportunities. North America has showed its mettle, but also its limitations. Mexico's challenge is to use its influence in North America to promote its interests more effectively on the world stage.

The negotiation of NAFTA was intertwined with the ongoing negotiation of the GATT's Uruguay Round. For both the United States and Mexico, the parallel talks involved many of the same actors and some of the same issues. Mexico had to proceed with some caution, lest it give away leverage in talks with the United States and Canada. Creating early plans for Mexico's strategy for the twin negotiations, a July 1990 SECOFI report stated: "Mexico should not eliminate more quantitative restrictions nor reduce its tariff levels in the Uruguay round, as to maintain the greatest negotiating strength in an ABC [early on, the Mexican government referred to an *Acuerdo Bilateral de Comercio*]. At the same time, it should not try to eliminate these U.S. barriers as to not erode its own preferences under an ABC."

Months later, the Mexican Economic Cabinet worried that "Canada and/or the United States could always extend, multilaterally or bilaterally, the benefits granted to Mexico. For that reason, an objective of the negotiation should be to lower the probabilities that other countries are incorporated, which could rapidly diminish the benefits Mexican obtains. ... If the principle objective has to be maximizing the preferences obtained at a regional level, the strategy in Geneva should be aimed to promoting the liberalization of sectors that are not of a trilateral interest, or where progress in the multilateral sphere is most difficult. This logic foregoing clearly implies a very pronounced modification in Mexico's posture in the GATT: from a vision committed to multilateral liberalization to a more discrete and conservative position."[20] Initially, the notion of regional economic blocs was prominent in Mexican strategic thinking about how to approach the negotiations. However, this faded somewhat as Mexico gradually adopted more pluralistic and liberal positions in both agreements.The United States' main conflicts in the Uruguay Round tended to be with Europe, while the Mexicans were still more willing to adopt aggressive trade opening. The NAFTA talks at times gave the multilateral negotiations a jolt.

It was not initially clear what the relationship would be between the two sets of negotiations. Mexico consistently pressed for an early start to North American trade negotiations. In the

[20] SECOFI, "Informe GE junio 10, 1991," June 10, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-58.

summer of 1990, U.S. officials, including U.S. Trade Representative Carla Hills, indicated a preference for concentrating on the Uruguay Round before turning USTR's attention to an FTA with Mexico.[21] The GATT-first position was countered by Secretary of State James Baker and Commerce Secretary Robert Mosbacher, both Texans who placed great importance on improving relations with Mexico. Eventually, Bush weighed in favor of simultaneous negotiations. Though initially hesitant, largely out of concern about stretching her agency's resources thin, Hills later acknowledged NAFTA's impact in moving the Uruguay Round forward. Ten years after the agreements, she said she could, "attest personally that it breathed new life into the ongoing Uruguay Round [of trade] negotiations."[22]

Today, multilateral trade talks show little momentum, and they could perhaps use a jolt. Mexico could emerge as a leader. Even the considerably narrower WTO talks have come to a halt when India backed away from politically difficult reductions of agricultural supports. It is worth noting that Mexico made its own politically difficult—and still controversial—changes to agricultural policies before the NAFTA negotiations (on *ejidos* and guaranteed pricing) and during those negotiations (removing import quotas on corn). Mexico has earned the authority to speak to its experiences on the issue and to pressure both developed and developing nations to make concessions.

With ongoing multilateral talks stymied, plurilateral agreements have taken on added importance—in part as piecemeal substitutes for WTO progress. The concurrent NAFTA/GATT negotiations suggest big plurilaterals could also spur progress in global agreements. For Mexico, the most important plurilateral in recent years has been the Trans-Pacific Partnership (TPP). Those talks have also slowed, both at the negotiating table and, of equal importance, on the lack of clarity regarding U.S. Trade Promotion Authority. Here, too, Mexico can play a role. Mexico fought its own bruising battle on the Hill to help the Bush administration win a single fast-track vote that covered both NAFTA and the GATT. The Mexican government, initially hesitant to embrace deeper levels of involvement in another country's domestic politics, eventually launched a full-court press to address lawmakers' concerns and, at times, beat back negative depictions of Mexicans. The Mexican government worked closely with the U.S. executive, transnational businesses, and (to a lesser extent) with Mexican-American lobbying groups. Starting with very little experience, it quickly, enthusiastically, and expensively embraced the world of Washington lobbying and public relations.

Mexico should add a new ally to that list for today's fast-track fight—Canada. Canada's current trade strategy is not working either bilaterally with the United States or in the TPP, as evidenced by a Congressional letter with 140 signatures urging Obama to leave Canada outside the talks if

[21] Cameron and Tomlin, pp. 68.
[22] Carla A. Hills, speech, "NAFTA—Ten Years On," February 10, 2004, Council on Foreign Relations, New York. Available online: http://www.cfr.org/trade/nafta--ten-years/p6802

it does not improve its agricultural offer in the TPP,[23] and by the Harper government's inability to win approval for the Keystone XL pipeline. Working together, the Mexicans and Canadians should pressure both the Obama administration and the U.S. Congress to move forward with TPA for the TPP. Without that demonstration of seriousness by the United States for President Obama's stated top trade priority, the TPP is likely stuck. This experience should lend itself to closer consultations between the three countries on their positions in the TPP—which should cover questions of what sorts of continental infrastructure is needed to make North America jointly competitive. This was suggested at the leaders' summit in Toluca, but details of a continental plan have year to emerge. Emphasizing issue linkages between boosting the North American economy and completing the TPP could also help the three countries overcome objections in particular sectors by enhancing the agreement's overall benefit.

Twenty years ago, Mexico saw a world where political and ideological bipolarity was seemingly being replaced by major economic blocs. It placed its bets heavily on North America. Today, those regional groupings continue to exist and proliferate, but they are more open and more closely linked than Mexico might have feared in 1990. As those connections grow and new economic powerhouses emerge, Mexico again finds itself exploring its role in the world politically and economically. Given its deep integration into the North American economy, it cannot make a major strategic break. Nor can it afford to ignore the opportunities the changing world order offers. Rather, it must use its North American position as a gateway to global influence. The deep economic and social interdependence between Mexico and the United States give Mexico a degree of attention—and, at times, influence—in Washington that few countries can match. For its part, the United States' relationship with Mexico is an important bridge to Latin America, particularly to the liberalizing states of the Pacific Alliance. Because the two countries share many common interests, Mexico can benefit globally from cooperation with the United States and gain a greater platform than it may have on its own.

NAFTA and the Mexican Political System

During his time in office, Carlos Salinas offered a comparison between himself and his contemporary, Soviet leader Mikhail Gorbachev. Gorbachev had tried to accomplish *perestroika* and *glasnost* at the same time, combining economic reforms and political opening. Salinas, by contrast, would use his powerful position atop the PRI to accomplish *perestroika* first. *Glasnost* could wait.[24]

[23] Devin Nunes et. al. to Barack Obama, letter, July 30, 2014. Available online: http://www.usdec.org/files/PDFs/FINAL%20TPP%20MARKET%20ACCESS%20LETTER%20LOW%20RES.PDF

[24] Salinas told Robert A. Pastor in November 1990 that he wanted "glastnot not glass-break," and indicated in other conversations with Pastor that he intended to use the PRI's position to push through economic reforms. The comparison was also used at the time as a criticism of Salinas by Jorge Castañeda amongst others. See, Robert A. Pastor, Robert A. Pastor, Memorandum of conversation with Carlos Salinas, July 28, 1990, and November 30,

Salinas' rise to the top of Mexican politics came at a time of profound change for the Mexican political system and for its long-ruling party. The changes he oversaw—and those he failed to make—continue to color the party that has come back to power today. Observers including Cornell Professor Gustavo Flores-Macías have expressed doubts about the depth of the party's transformation, given its actions when it found itself in legislative opposition and its manner of governing states where the governorship has yet to change hands.[25] He is right to indicate important continuities in the PRI, despite its twelve years out of Los Pinos, Mexico's presidential palace. However, those continuities are balanced by important changes.

The transformation of the PRI's economic policies started under Salinas' predecessor, Miguel de la Madrid. De la Madrid oversaw the country's accession to the GATT and began lowering Mexico's trade barriers. Salinas was his powerful *secretario de planeación,* part of a cadre of U.S.-educated technocrats ruling Mexico. With the lack of pluralism that characterized the party before 2000, de la Madrid and PRI bigwigs selected Salinas as his successor and the PRI's presidential candidate—essentially handing Salinas the Mexican presidency. Known for free-market leanings, Salinas' selection was an indication that the PRI planned to continue down the economic road more cautiously pioneered by de la Madrid.

Salinas' own election was far from the automatic affair that had long characterized presidential succession in Mexico. In the midst of a painful decade of economic stagnation, the PRI was under increasing political pressure. For the first time in decades, the party began to fracture seriously, facing challenges from both within and without. Cuauhtémoc Cárdenas, son of a former PRI president and revolutionary hero, split with his former party. Facing its first truly disputed election in decades, the PRI was less than supportive of the democratic process. Using its unchallenged control of the national Congress and governorships across Mexico, the vote was marred by lopsided resources and television coverage, and numerous instances of electoral fraud. The most notorious involved the "crash" of a computerized vote-counting system, which officials from other parties believed was showing a PRI loss in many voting districts.[26] Whether the fraud was extensive enough to change the result is still disputed, but in the eyes of many Mexicans who had tacitly accepted one-party rule, there was a tremendous blow to the PRI's legitimacy. Energized opposition parties and growing democratic norms were altering the PRI's governing environment.

As president, de la Madrid had famously stated that there would be no free-trade zone with the United States during his lifetime. Salinas moved much more quickly, even before putting free

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1990, Robert A. Pastor personal papers; Robert A. Pastor, "El TLC como centro de un proceso de integración," *Economia Mexicana,* June 1993; Larry Rohter, "Mexican Hoping for 'Salinastroika,'" *New York Times*, January 5, 1990. In his memoir, Salinas contests this point and says glastnost and perestroika proceeded concurrently.

[25] Gustavo Flores-Macías, "Mexico's 2012 Elections: The Return of the PRI," *Journal of Democracy* 24, no. 1 (2013): pp. 138-141.

[26] Julia Dillon Sam Preston, *Opening Mexico : The Making of a Democracy* (New York: Farrar, Straus and Giroux, 2004), ch. 6.

trade with the U.S. on the table. As Maxwell Cameron and Brian Tomlin note: "Salinas accelerated initiatives to open up the Mexican economy, reducing tariffs and restrictions on imports, mainly quotas. By 1989, Mexico's average weighted tariff was 6.2 percent, and 96 percent of Mexican imports were free of quotas." In many cases, tariff reduction went well beyond what was required by Mexico's GATT accession.[27]

The dramatic change in trade policy, carried out very early in Salinas' administration, reflected a political bet for the PRI that soon it would need to win increasingly fair elections. Domestic and international pressure for democratization steadily mounted. Macroeconomic stability and economic growth, the political economist Salinas thought, could keep the PRI in power. At the same time, the PRI could better align itself with the policy preferences of large Mexican businesses. Salinas sought to deploy the substantial powers concentrated in the Mexican presidency to create a coalition around the PRI's new economic policy. This implied major changes at home and abroad.[28] Perhaps the most significant indication of this shift was the major change in agricultural policy, illustrated by the debate over corn and beans in NAFTA, though perhaps even more fundamental changes preceded the agreement. The PRI had long sustained a base of rural support through maintaining communal and small-tract farmers with subsidies, despite their comparative inefficiency. However, it was clear to Mexican negotiators that the support of U.S. grain producers was key to the agreement's chances in Congress, and that without substantial reductions in Mexico's tariff and non-tariff barriers on corn, that the United States might back away from the deal. In an economic cabinet meeting in September 1991, "Some argued that opening to corn imports would create tremendous social upheaval." However, Serra continually argued that the countryside needed deep (and initially painful) reforms; Mexico should benefit by winning market access for its fruits and vegetables in exchange, given that the reforms were ultimately necessary.[29] The PRI tried to lessen its political losses by extending rural development support. As SECOFI recommended, "For corn and beans, a structural adjustment program is needed that reconciles economic efficiency with social stability."[30] Part of this effort became the Program of National Solidarity, which was reformed and greatly expanded under successors in the PRI and PAN as "Progresa" and "Oportunidades."[31] However, the eventual opening of Mexican markets to cheap U.S. corn signified a major shift in the PRI's coalition toward export interests (and Northern Mexico).

Despite the changing coalition, the PRI maintained tight control over the negotiations. Shortly after word of Mexico's intention to seek an FTA leaked to the press, several large Mexican unions expressed their opposition, as did several industry groupings, including the large

[27] Cameron and Tomlin, pp. 59.
[28] Guy Poitras and Raymond Robinson, "The Politics of NAFTA in Mexico," *Journal of Interamerican Studies and World Affairs* 36, no. 1 (1994).
[29] Salinas de Gortari, pp. 115.
[30] SECOFI, "Informe de los trabajos," October 25, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-6.
[31] Poitras and Robinson, "The Politics of NAFTA in Mexico," pp. 11.

association CANACINTRA.[32] Questions were raised in Congress, which was mostly caught by surprise by the country's tremendous shift in trade policy. The more traditionally oriented Ministry of Foreign Affairs showed some skepticism about the benefits of tighter links with the United States.

The government moved quickly to address the grievances. By June 1990, the government had created a structure to channel business support. In corporatist fashion, the PRI brought the business community into the process with the formation of the Coordinadora de Organismos de Comercio Exterior (COECE, officially seated in September 1990). Later, these businessmen frequently consulted on the negotiations through the so-called "side room." Labor concerns were addressed by bringing onboard powerful labor leader Fidel Velázquez, head of the Confederación de Trabajadores Mexicanos. The country's largest labor unions were all closely linked to the party; once the president made clear the state's position, they became supportive and labor opposition was minimized. Opposition inside the government was skirted by giving liberally oriented SECOFI strong control of the negotiations. SECOFI even minimized the role of the Mexican Embassy in Washington as the natural point of contact by creating its own office in Washington to coordinate its lobbying and public relations campaigns. The office would be led by Hermann von Bertrab, a confidante of Mexican chief negotiator Herminio Blanco.[33]

Initial questions from the Mexican Congress were also quickly silenced. Still dominated by the PRI, it was never likely to buck the priorities of the dominant presidency. That said, the Congress was remarkably expeditious. The lower house, where PRI opponents held many more seats, had no official say on treaty negotiations. The PRI-dominated Mexican Senate gave its approval to seek a trade agreement on May 21, 1990 after a perfunctory debate. Bush had not even given the U.S. Congress formal notification. Compared to the rough fast-track and ratification debates in the U.S., legislative approval in Mexico was an afterthought. While a handful of opposition senators aired their grievances and the Salinas government gave updates and consultations, Mexican opponents of the treaties probably got more substantial hearing in the U.S. Congress than in their own. In fact, part of the attraction of using an FTA was to lock in liberal economic reforms. That one of Mexico's motivations for NAFTA was to lock in reforms has been part of the conventional wisdom since at least early 1993.[34] It also finds support in SECOFI's documents as early as July 1990. "Once Mexico has determined that signing a free trade agreement with the United States offers the greatest possibilities of successfully consolidating the economic reforms that form the basis of our new development model, the Mexicans face the mission of: first, assuring the U.S. Congress accepts our proposal to start negotiations; and second, that the process of negotiations and the federal approval in both

[32] Ibid., pp. 14-18.
[33] Hermann von Bertrab, *Negotiating NAFTA : a Mexican Envoy's Account* (Westport, Conn.: Praeger, 1997).
[34] The argument appears in Jaime de Melo and Arvind Panagariya, eds., *The New Regionalism in Trade Policy* (Washington :: World Bank Publications, 1993).

countries succeeds in the national interest as quickly as possible."[35] A treaty involved only the compliant Mexican Senate; changing major domestic laws, especially constitutional amendments, would have required a series of public debates in the lower house and Mexican states, too. By instead using NAFTA as its economic policy vehicle, the U.S. Congress became a greater priority for the Mexican presidency than its own legislative branch.

What does this period of transformation tell us about today's PRI?

First, despite continued quasi-autocracy under Salinas, the party was in the early stages of a transition to being a "normal" party. Like in most democratic systems, the PRI was going to be judged increasingly on a retrospective evaluation of its performance—particularly economic performance. The period saw a decline of the importance of nationalist rhetoric to the PRI, and one of NAFTA's attractions for both the United States and Mexico was that it would help solidify more cordial diplomatic ties. During the negotiations, potentially major flash points between the United States—including the U.S. invasion of Panama, a U.S. embargo on Mexican tuna, and the abduction of Humberto Álvarez Machaín—were handled without derailing the rest of the relationship. The ability to address controversial topics without souring overall relations has been an important improvement. The relationship has grown so large (in terms of economic flows) and so multifaceted that hot-button issues and problems surrounding migration, drug trafficking, and trade disputes are addressed by both governments in relative calm.

References to "nostalgia" in the U.S. press during the 2009 and 2012 elections that brought the PRI back to power seem to minimalize the rationality of Mexican voters. Instead of assuming voters looked back with rose-colored fondness toward the PRI past, it seems more likely that these voters rendered harsh judgments on a governing PAN that had presided over slow economic growth and a security strategy that in fact (at least in the near and medium term) unleashed insecurity—as well as an opposition PRD whose response to its razor-thin 2006 defeat did little to instill confidence in its ability to govern. At the same time, it is important to recognize that despite national losses in 2000 and 2006, the PRI "did not ever lose its position as Mexico's most important political party."[36] It held together at many levels while preparing itself for a national comeback.

Salinas and his team made clear that they saw improved ties to the United States as essential for Mexican economic growth, and therefore to sustaining the PRI.

Salinas and his team made clear that they saw improved ties to the United States as essential for Mexican economic growth, and therefore to sustaining the PRI. They were also careful to indicate that Mexico's economic ties with the United States should be balanced by ties

[35] "Informe sobre los trabajos del acuerdo bilateral de comercio," July 9, 1990, SECOFI, Subsecretaría de Comercio Exterior, anexo 10, pp. 53.
[36] Duncan Wood, "Mexico's Democratic Challenges," *The Washington Quarterly* 35, no. 4 (2012): pp. 96.

elsewhere—though they saw the short-terms options for that as fairly narrow. During the pre-negotiations, when it was unclear whether Canada would participate, SECOFI stressed the potential benefits of a trilateral accord: "It [Canadian participation] would signal that the FTA with the U.S. is just another step to insert Mexico into the world economy, not a measure to integrate with the U.S."[37] The bottom line was close cooperation, but also limits.

There has been concern that the Peña Nieto administration's "limitations" on cooperation with the United States, particularly on security, signaled a reversion to the history of the U.S. and PRI-ruled Mexico as "distant neighbors." That the PRI defines Mexican national interests somewhat differently than the two preceding PAN administrations should not be a surprise given the parties' different bases of support. The PAN emerged with its base in northern Mexico, particularly in border states, supported by industrialists with close U.S. ties. Looking at the emergence of the modern PRI instead of emphasizing its revolutionary heritage indicates that today's PRI will be more focused on common interests and producing results than reviving its fabled "anti-American" plank. The first major revision to the tone of U.S.-Mexican relations happened under a PRI government, and recent demonstrations of cooperation indicate that the PRI's position continues to evolve toward favoring a multifaceted partnership. There has been important evidence of this recently, including the positive results of the North American Leaders Summit at Toluca, and, as Duncan Wood noted, the "positive updates" and "constructive talks" between U.S. and Mexican ministers on trade and investment through the High Level Economic Dialogue and other forums.[38] Security cooperation has continued, too, with the high-profile captures of some of Mexico's top drug kingpins.

Second, the party continues to prioritize quiet consensus building over noisy debate. President Peña Nieto's Pact for Mexico was an echo of the grand bargains that the PRI used to implement its agenda of economic liberalization, including the 1988 Pact for Economic Stability and Growth. The format of these pacts demonstrates a continuity that grows from the party's corporatist heritage, even while the policy contents and the political context of the current pact represent significant divergence. As with market reforms and the NAFTA negotiations, there was criticism of the manner in which the pact was negotiated, focused on questions of transparency and internal party democracy.

Related to this, it is important to diagnose the changes in the PRI's coalition. In presidential elections, the PRD has displaced the PRI in many poorer, southern states that were hard-hit by changes in agricultural policy and have seen minimal benefits from free trade. While it may seem unsurprising that a leftist party would appeal to many in Mexico's poorest states, these same areas were long PRI strongholds, and continue to offer significant support. Today, a map of the highest levels of extreme poverty in Mexico bears a strong resemblance to a map of the states

[37] SECOFI, "ATC," May 30, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.
[38] Duncan Wood, "The State of North America After the Trilateral Summit," February 24, 2014

where the PRD finished atop the 2012 election.[39] However, an analysis of jurisdictional voting and census data by scholars at Stanford University and the University of California, San Diego shows a more complex picture. Though these poor states remained loyal to the PRI during the PAN's victory in 2000, the weakening of the PRI's systems of patronage in many of these states, particularly where it no longer controls the governorship, may end its hegemony. Likewise, the PAN has improved its lot with poor voters, likely due to its expansion of conditional cash transfer programs during its two *sexenios*.[40] The PRI has been able to hold many of its former rural and indigenous voters, perhaps due to the influence of positive television coverage, while diversifying its coalition both geographically and by economic sector. At the same time, the PRI's formerly tight ties with major labor groupings, such as the teachers' and oil workers' unions, have been complicated in the new electoral environment. This has made the more industrial states, where Peña Nieto managed to beat the PAN on its own turf, even more important. Business leaders, including the media, have largely remained supportive of PRI reforms. In a politically divided Mexico—Peña Nieto's convincing margin of victory still amounted to just 38.2% of the vote—the PRI's hodge-podge coalition will remain formidable without being dominant.

Enhancing internal democracy and transparency should be a top priority for the PRI, even if it uncovers some unpleasant family squabbles. More sunlight is necessary if the PRI is to shake concerns about lasting internal corruption and move beyond the history of cozy privatizations and shady dealings that have damaged Salinas' legacy and kept the former president in quasi-exile in Ireland.

There are also significant changes, particularly in the overall institutional environment, that challenge the application of the analogy of the "old PRI." The PRI is currently the largest party in the Senate and the House of Deputies, but it still controls well under half of the seats in each body. Where its earlier "pacts" were arranged by the presidency to corral and organize various social sectors, it now must negotiate with opposition parties, too. This much is clear from a comparison of the submissive role of the Mexican Senate in NAFTA versus the more contentious debate over constitutional amendments on energy and Mexico's recent fiscal reform. Many of the PRI's former levers of power, like almost uncontested control over labor, have been considerably diminished. In 2001, the scholar Joy Langston argued that internal party reforms on candidate selection had created a greater degree of pluralism within the party.[41] However, despite the more complex picture, the PRI itself has maintained a relatively tight hierarchy at the national level. The party reforms under Ernesto Zedillo did not stop the PRI from reasserting greater centralization after its disastrous 2006 performance. Peña Nieto himself assumed the PRI

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[39] Flores-Macías, "Mexico's 2012 Elections: The Return of the PRI," pp. 135.

[40] Control of governorships appears to be central to the PRI's ability to turnout voters, particularly in lower-income areas. Albert Díaz Cayeros et. al, "2012 Electoral Geography," México Evalúa

[41] Joy Langston, "Why Rules Matter: Changes in Candidate Selection in Mexico's PRI, 1988-2000," *Journal of Latin American Studies* 33, no. 3 (2001).

candidacy without significant internal challengers, and he has maintained PRI unity behind his ambitious economic program.

Like Mexico itself, the PRI has become more federalist. Though the Mexican presidency remains strong, greater control has shifted to governors. This allowed the PRI to retain significant power, and control considerable resources, when it lost Los Pinos. Peña Nieto himself emerged from a governorship, not from the powerful perches in the national executive branch. He was the first PRI president to emerge directly from the state level since former Veracruz governor President Adolfo Ruiz Cortines in 1952. Given the PRI's shift toward a territorial organization to replace its older structure of worker and peasant organization, as Langston argued,[42] the importance of governors to the national party is likely to continue to grow.

Energy

Well before the NAFTA negotiations formally began, Mexican officials understood that the Bush administration was interested in greater access for U.S. companies to invest and participate in the state-owned Mexican oil industry. The concern was repeatedly noted by Bush himself, both publically and directly to Salinas in November 1990.[43] In Mexico, nearly all activities tied to petroleum were controlled by state-owned Petróleos Méxicanos, or Pemex. Pemex's revenues constituted a substantial portion of the Mexican federal budget; its powerful union was a major employer and political force. Beyond that, state control of petroleum had important historical roots as a rejection of what many saw as excessive foreign control and exploitation of Mexican resources under the long reign of Porfirio Diaz (c. 1884-1911). The nationalized oil industry was a major legacy of the PRI. Given that history, Salinas deemed energy too sensitive to touch in NAFTA; the ensuing 20 years have softened those sensitivities somewhat, but PEMEX remains a potent national symbol.

Though the exclusion of oil from NAFTA has often been painted as absolute, there were debates inside the Salinas administration about how to address the issue.

In some respects, the reforms that are going into effect today are a continuation of the economic transformations wrought through and in combination with NAFTA. In the agreement, the energy sector was given separate treatment and shielded from international competition, even as much of the Mexican economy faced those pressures. By injecting NAFTA's liberalizing spirit into the oil industry, today's PRI hopes to attract foreign investment to increase production capacity, while providing an overall boost to the rest of the economy through lower fuel prices and

[42] For a summary of the PRI's traditional organization, see ibid., pp. 490-493.

[43] Matt Moffett, "Well of Nationalism: Oil's Role in Mexico Raises Tricky Issues For a Free-Trade Pact," *Wall Street Journal*, Nov.26, 1990; Salinas, "Un Paso Dificil," pp. 80-85.

spillovers from energy-sector demand. This strategy follows the same logic that drove Mexico's accession to the GATT, pursuit of North American free trade, and opening of the financial sector. However, this reform has been pursued through internal, domestic mechanisms instead of through international negotiations.

Though the exclusion of oil from NAFTA has often been painted as absolute, there were debates inside the Salinas administration about how to address the issue. These debates, and the small changes made by NAFTA, planted seeds for the larger changes that are blooming two decades later. Salinas initially responded to Bush's queries about energy with a firm "no," (some, including Salinas, say by tying the issue of oil to labor mobility, which the United States wanted to exclude from the agreement), the Mexican government was at the same time exploring ways to make milder concessions on oil. The *gabinete económico* discussed Mexico's "red lines" early on, saying that Mexico would not grant anything that would require changes to the constitution. Salinas announced on November 26, 1990 that the constitutional prohibitions on the energy sector would not be on the table—though there was considerable diversity of opinion within Mexico about what could be liberalized short of a constitutional revision. Much of this debate centered on the classification of various petrochemicals and the extent to which the procurement of PEMEX and electric utility CFE would be opened to foreign companies. One SECOFI position paper from February 1991 suggested the possibility of foreign gas stations, perhaps selling non-Mexican gasoline:

> "However, without constitutional, or perhaps even legal, modifications, it is possible to imagine substantial changes to the Mexican petroleum industry derived from the FTA negotiations. To cite only one example, it cannot be ruled out that as a result of the FTA that there could be foriegn gas stations, managing foreign products, inside the country. Clearly, it is necessary, now, to define what it means that 'petroleum will not enter into the negotiations.'"[44]

The final changes fell far short of that, and foreign gas stations became one of Mexico's "five no's" of oil industry exclusions. However, Salinas' own memoirs describe a divided cabinet on the issue. Major figures including SECOFI Secretary Serra Puche privately pressed for greater opening, including permitting the importation of natural gas, against the opposition of then-PEMEX Director General Francisco Rojas.[45] Rojas, who became director of CFE at the beginning of the Peña Nieto administration, resigned in February 2014 amid questions about his support for the presidency's energy reform program.[46] Both men appear to have maintained elements of their earlier positions.

[44] "Seguimiento de los trabajos del TLC," February 12, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp 4.
[45] Salinas de Gortari. In an interview years later, but before the PRI's return to power, Serra Puche maintained his position that Mexico would have benefited from a greater and earlier opening.
[46] Noé Cruz Serrano, "Francisco Rojas se va de la CFE," February 5, 2014, *El Universal*

At the time, the reticence of many in the PRI to tackle energy led to hesitation in the negotiations. Before the first official trilateral session, Mexican negotiators maintained that there should not be a specific negotiating group for energy. Such a move would stir too much controversy within Mexico, they feared, and put the agreement at risk. During the first ministerial meeting, Hills argued that energy could not be ignored, given its importance in U.S.-Mexico trade. "Carla Hills emphasized that she was not arguing with the Mexican principle that constitutional limits would not be negotiated. However respecting the Mexican constitution there was still room to discuss the topic in the FTA." The Mexicans conceded to having an energy group, but the topic remained the most sensitive in the negotiations for the Mexicans.[47]

At various points, the United States pressed for flexibility. Energy had been a major point of debate in the U.S.-Canada deal, and neither would accept omitting it entirely in a trilateral agreement. Though Mexico eventually acquiesced to having an energy group, it maintained a hard line on energy issues on which the United States pressed it—guaranteed emergency supplies; foreign investment in production, distribution or sales; and shared-risk contracts.[48] Mexico's primary concerns were to achieve guaranteed access to the U.S. market, with protection from possible U.S. protectionist restrictions. If it achieved that, Mexico was willing to bend on almost everything else--with the exception of oil, which Salinas saw as a potential deal breaker. Despite its objections, the Mexicans had been studying for months how they could strategically give ground on energy without compromising their core control over the sector. A February 1990 SECOFI report, noting U.S. interests, concluded: "What the Constitution restricts is the ownership or direct investment in the extraction of petroleum and in basic petrochemicals."[49]

The Mexicans' initial lack of clarity left the Americans curious, and they frequently probed the limits of Mexico's ill-defined position. This pushed the Mexicans to solidify their stance into the "five no's" that they wanted to maintain in the talks on energy. As summarized by Mexican scholar and diplomat Antonio Ortiz-Mena, these were:

> i. There will be no foreign investment in the exploration, exploitation and refining of oil in Mexico. These areas are to remain under state control.
> ii. There will be no risk contracts with payment in oil reserves.
> iii. There will be no energy supply commitments.
> iv. There will be no liberalization of gas imports; all imports must be done through PEMEX.
> v. There will be no foreign retail gasoline outlets.[50]

[47] "Informe de la reunión ministerial celebrada en Toronto, Canada," June 17, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-6.
[48] Mexico's conditions on petroleum were not completely defined in June 1991, but would coalesce into the "five no's," all of which were excluded from the final agreement.
[49] "Seguimiento de los trabajos del TLC," February 12, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp 4.
[50] Antonio Ortiz-Mena, "Getting to No : Defending against Demands in NAFTA Energy Negotiations," in *Negotiating Trade : Developing Countries in the WTO and NAFTA*, ed. John S. Odell(Cambridge, UK; New York: Cambridge University Press, 2006).

The “five no’s” were communicated directly to the United States, as well as stated publically by Salinas and Serra. The public statements helped lock them in, with the Mexicans increasing their own audience costs. However, the clarification did not end the questioning. Bush again raised the issue with Salinas while the presidents relaxed at Camp David in December 1991, asking, “What would be the difference if Shell has a station next to Pennex (sic)”?[51] Despite the presidential pressure from the United States on most of these points, Mexico was quite successful in “getting to no,” and maintaining its lines on energy in the negotiations, Ortiz-Mena concludes. In addition, the U.S. pressed for supply guarantees in the case of energy emergencies—something very much on Bush’s mind given the Gulf War—but Mexico avoided making a formal commitment on that matter, too. The major concession to the United States was to liberalize investment in some petrochemicals, and to decrease subsidized inputs from PEMEX to the Mexican petrochemical industry. Mexican law drew a division between basic and secondary petrochemicals, with only PEMEX allowed to produce those in the basic category. However, in 1989 the Salinas government reduced the “basic” list from 56 to 20 products, while others were moved into a deregulated category that allowed greater foreign investment. NAFTA removed six more products from the list that excluded foreign investment entirely while giving national treatment to U.S. and Canadian investors in secondary and deregulated petrochemicals. Finally, NAFTA included an agreement against adding special export taxes on oil and petrochemicals amongst the three countries, while providing greater certainty for investors on dispute resolution, including in petrochemicals.[52] While a core of products remained off the table, that core shrank substantially before the negotiations and via NAFTA.

Though not fully satisfied with the changes around the margins, the Bush administration knew when to stop pushing, despite its strong interest. Even before presidential alternation, the PRI could not accomplish everything via diktat. In today’s democratic Mexico, with its stronger legislature, it is of even greater importance that the United States knows when to stop pushing. In this respect, the U.S. government adopted a stance of studious silence during the recent Mexican debate on energy reform. The few statements from U.S. officials regarding the reforms were measured and descriptive; public involvement was limited to practical questions regarding possible reserves near the countries’ maritime border.[53] Recently, Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson extended congratulations, calling the reforms as example for the world, though even that type of comment waited until the late stages.[54] Peña Nieto signed constitutional amendments on energy in December 2013; in August 2014 the Mexican government approved implementing legislation. The government recently announced “Round Zero,” which maintained PEMEX’s leading role in proven and likely reserves, while

[51] “Meeting with President Carlos Salinas of Mexico,” Dec. 14, 1991, George Bush Presidential Library.

[52] For a detailed explanation, see Georgina Kessel and Chong-Sup Kim, "The Mexican Petrochemical Sector in the NAFTA Negotiations," *The Energy Journal* 14, no. 3 (1993).

[53] The U.S.-Mexico Transboundary Hydrocarbons Agreement, negotiated in 2012 with President Calderón, was passed by the U.S. Congress in late December 2013.

[54] Roberta Jacobson, interview with *El Universal*, October 6, 2014

also opening exploration and investment in some areas to private companies. As the energy reforms move from the legislative stage toward the bidding on "Round One" in early 2015 and, eventually, production, the debate will—and should—continue.

The reforms must be Mexican-owned; providing opponents with evidence to insinuate that foreign interests are holding the strings only complicates the process. The United States should advocate transparency and open public debate, not its companies' narrow interest in getting a slice of the Mexican oil pie. Minimizing PEMEX's role, even if these created more room for U.S. companies and investors, would be counterproductive. As Diana Villiers Negroponte has pointed out, PEMEX's success and buy-in is crucial for the reform's success and longevity.[55] In the longer term, a transparent process is the United States' fundamental interest. The rushed, cozy privatizations of the Salinas era undermined both the effectiveness and the legitimacy of economic reforms and, by association, of NAFTA itself. Transparent energy reform will be a boon to Mexican productivity and North American competitiveness. At the moment, Mexican firms—and consumers—are weakened by energy prices that are typically higher than those in the United States. Lowering electricity and gas prices will be a boon to Mexican firms. Ideally, the reforms will also produce linkages with Mexican firms that will supply a growing energy sector; however, the development of small and medium Mexican enterprises with ties to both national and international oil companies will require support, planning, and training.

Asymmetry, Interdependence and Institutions

At the time of its creation, NAFTA was remarkable for integrating a developed economy with a developing neighbor. It remains remarkable for the asymmetry that characterizes the relationships. In 1994, the gross domestic product of the United States eclipsed the combined GDP of its two neighbors by 6.5 times; today the U.S. economy remains 5.5 times as large.[56] The U.S. economy is more diversified, its capital markets much deeper, and its bureaucracy is much larger, with deep experience and expertise.

This asymmetry had long made both Canada and Mexico hesitant about building overly close economic ties with the United States. Not only would they be even more subject to its business cycles, their economies would be at the mercy of U.S. policies and protectionist whims. However, asymmetry was only part of the story of the NAFTA negotiations, and it should only be part of the story of North America's future. During the talks, Mexico achieved many of its top priorities, which implied substantial limitations on U.S. power. These included broad access the U.S. market, mechanisms to restrain U.S. trade restrictions, and excluding oil.

[55] Diana Villiers Negroponte, "Mexico's energy reforms become law," August 14, 2014, Brookings Institution. Available online: http://www.brookings.edu/research/articles/2014/08/14-mexico-energy-law-negroponte
[56] Data from database: World Development Indicators

Mexico faced a double asymmetry, in market size and level of development. Because of this, many in Mexico, including important business interests, pressed for explicit recognition of the development gap, entailing much longer tariff transition periods for Mexico than for its partners. SECOFI feared from the beginning that winning that recognition would cost it heavily in terms of market access for the products where Mexico was especially competitive. Mexico's solution was to turn to an existing institutional framework, the GSP, to give Mexican products an advantage during the period in which tariffs were being phased out.[57] In its immediate post-mortem on the negotiations, SECOFI wrote: "From the start of the negotiation, Mexico fought for recognition of the difference in levels of development between the parties to the FTA. The unconditional and immediate consolidation of the Canadian and U.S. tariff preference systems constitutes the ideal manner to recognize these differences." This was, perhaps, a bit of self-promotion given SECOFI's early acceptance that different levels of development would be rejected as a negotiating premise by the Americans and Canadians. Nonetheless, the Mexican administration was pleased with the result: "The consolidation of the GSP permitted a result that is highly asymmetrical in favor of Mexico."[58]

Socially, economically, and politically, the U.S.-Mexican relationship is characterized not only by complex interdependence, but also asymmetry.[59] While domestic economic challenges drew Canada and Mexico toward their larger neighbor, there was also a significant reconceptualization of how to approach the unchangeable fact of asymmetry. Interdependence became not only a threat but an opportunity to gain influence. There was also a realization, at least in Mexico, that the country was already subject to the whims of the U.S. market and the risks of U.S. protectionism—something made clear by the 1988 Omnibus Foreign Trade and Competitiveness Act, which threatened to unilaterally retaliate against "unfair" trade practices or

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[57] "Informe del GE del 17 de junio de 1991," June 17, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-17.
[58] SECOFI, "Informe final de la negociación del TLC," August 17, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-4.
[59] Robert Keohane and Joseph Nye famously used the idea of complex interdependence to describe U.S.-Canadian relations; today that seems to apply similarly to U.S.-Mexican relations, with the added asymmetry created by divergent levels of development. See Robert O. Keohane and Joseph S. Nye, *Power and Interdependence : World Politics in Transition* (Boston: Little, Brown, 1977), esp. ch. 2. Andrew Selee has developed this further in the U.S.-Mexican context. Andrew D. Selee and Alberto Díaz-Cayeros, "The Dynamics of US-Mexican Relations," in *Mexico & the United States : The Politics of Partnership*, ed. Peter H. Smith and Andrew D. Selee(Boulder: Lynne Rienner Publishers, 2013).

countries with whom the U.S. ran large trade deficits.[60] Through NAFTA, Mexico attempted to deploy and further develop what Mexican scholar Jorge Chabat called "the tools of interdependence" to gain influence in its relationship with the United States.[61]

From the first official meetings until the negotiation's round-the-clock finish at the Watergate Hotel, Mexico expressed concerns that its gains in market access could be undermined by what Mexicans privately labeled "U.S. intransigence" on anti-dumping. On their own, Mexico and Canada had little purchase against these measures. However, institutions could play a role in ameliorating the effects of asymmetry by establishing shared expectations, rules of the game, and procedures for settling disputes. Much of the friction in the NAFTA negotiations would relate to this third point. During Salinas' first visit to the United States after the Davos trip, the Mexican Foreign Ministry stressed the need for new mechanisms of consultation, saying the two countries shared "a renewed disposition to establish a new era of bilateral relations which demands the will to broaden and strengthen cooperation and to overcome problems with dialogue and cooperation."[62] NAFTA did expand networks of consultation between the United States and Mexico—well beyond what the Foreign Ministry probably intended in April 1990. A relationship that had traditionally been handled between the Foreign Ministry and State Department diversified, creating transnational networks of Mexican and U.S. bureaucrats as well as civil society. Formal diplomatic connections were supplemented and sometimes supplanted by informal communications between the myriad departments and agencies involved in aspects of the relationship.[63]

In July 1991, Mexico's advisory council for the FTA set out six overarching goals for the talks. Two of these focused on restraining U.S. protectionism. The council argued for an agreement that "contains precise rules to avoid distortion from trade subsidies and the abuse of legislation on unfair trade practices" and "establishes a transparent, effective, and fair mechanism for dispute resolution."[64] Canadian and Mexican concern about these U.S. measures drew strong responses from USTR, which closely consulted with Congress. Hills suggested as much during the first ministerial meeting in Toronto, saying there could not be a working group dedicated to the question due to Congressional pressure. U.S. Chief Negotiator Jules Katz reiterated in July 1991 that the U.S. would not alter its anti-dumping laws in the agreement. However, eventually the U.S. conceded to joint Mexican and Canadian pressure, accepting a Mexican proposal to

[60] Elizabeth K King, "Omnibus Trade Bill of 1988: Super 301 and Its Effects on the Multilateral Trade System under the Gatt, The," *U. Pa. J. Int'l Bus. L.* 12, (1991).
[61] Jorge Chabat, "Mexico's Foreign Policy after NAFTA: The Tools of Interdependence," in *Bridging the Border : Transforming Mexico-U.S. Relations*, ed. Rodolfo O. De la Garza and Jesús Velasco(Lanham, Md.: Rowman & Littlefield, 1997).
[62] SRE, "Visita del presidente Carlos Salinas de Gotari a la ciudad de Los Angeles, Calif.," April 23, 1990 classification 05.02.01.00, caja 1, exp. 2, Archivo General de la Nación, Mexico, D.F., ff. 73.
[63] Mark Aspinwall, "NAFTA-Ization: Regionalization and Domestic Political Adjustment in the North American Economic Area," *JCMS: Journal of Common Market Studies* 47, no. 1 (2009).
[64] "Informe no. 1 sobre el TLC," July 6, 1991, carpeta Consejo asesor del Tratado de Libre Comercio, abril 1991, Control de Gestión, Subsecretaría de Comercio Exterior, Secretaría de Economía de México, México, D.F., [pp. 1-8].

establish a group on subsidies, compensatory taxes and anti-dumping.[65] The Mexican team suggested the negotiations could ride on the disagreement:

> "Failing to achieve significant protections from anti-dumping could not only nullify in practice the other accomplishments made in the negotiation, it would also miss an exceptional opportunity to obtain substantial agreement in the matter. Because of that, we suggest that obtaining major concessions on anti-dumping should be designated as a minimum requirement (deal-breaker) for the FTA itself. This designation would place anti-dumping in the same level of importance that the Americans grant to foreign investment and financial services in the agenda with Mexico, or intellectual property in the negotiations with Canada."[66]

Partially in response, Mexico hardened its positions in working groups it knew were particularly important to the United States. The issue of dispute resolution came down to the wire during the talks—twice. First, during the closing round of negotiations at the Watergate, Mexico temporarily called for a suspension of the talks when an argument threatened to derail an agreement to extend mechanisms in the U.S.-Canada accord. Secondly, when the Clinton administration adopted positions in the side agreements that Mexico and Canada saw as protectionism disguised as dispute resolution, the two smaller powers partnered to veto the USTR proposal, an example of the potential of Canada-Mexican cooperation discussed in the following section.[67]

Though asymmetry remains a defining element of North American politics, the desire to build on NAFTA's weak institutional infrastructure has been conspicuous in its absence. The opposite trend has been in evidence. The North American Commission on Labor Cooperation "temporarily" closed in August 2010. The national offices were supposed to make recommendations to reform the NACLC by February 2011, there has been no progress. Though informal civil society channels persist, governmental cooperation on labor has steadily declined.[68] The decline is not limited to labor. Mexico floated ideas for a "NAFTA-plus" under President Vicente Fox, though not effectively, and then approached North America with less vigor (outside security) under President Felipe Calderón. In practice, infrequent summitry and dual bilateralism has dominated North American relations during the last decade. The dearth of institutions heightens asymmetry. There are a number of reasons to believe that deeper institutionalization would be beneficial to Canada and Mexico. As the number of partners increases, any one member of an institution will experience declining control over that

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[65] SECOFI, "Informe de los trabajos del TLC," July 22, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1-38.
[66] SECOFI, "Informe de los trabajos del TLC," July 22, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 19.
[67] Earlier proposals on the side agreements—pushed hard by some Congressional Democrats—included easier-to-use sanctions; the final side agreements buried the possibilities of sanctions for environmental violations under so many layers that they were essentially unusable.
[68] Kimberly A Nolan García, "The Evolution of United States–Mexico Labor Cooperation (1994-2009): Achievements and Challenges," *Politics & Policy* 39, no. 1 (2011).

institution—though the United States' size will still make it first among equals.[69] As a global leader, the United States has constructed an international institutional framework, and it has generally abided by those institutions even in particular cases that cut against its immediate interests. In instances where it has not, institutions and interdependence can, in combination, offer tools to overcome asymmetry. After the United States repeatedly refused to meet NAFTA obligations to permit the operation of Mexican trucking firms in the United States, Mexico used international dispute resolution mechanisms, including the WTO. In accordance with the decisions of those bodies, Mexico applied retaliatory tariffs on a host of products with economic importance in the districts of key members of Congress. Because of the great importance of the Mexican market to these U.S. exports, Mexico was able successfully pressure for the initiation of a pilot program on trucking. Though narrow interests sometimes win out, the value of maintaining the institutions provides greater overall benefits. As a regional leader, the United States should support institutionalized frameworks that produce broader benefits, but in North America, these institutions remain embryonic and there seems to be little enthusiasm for creating them, particularly in the skeptical U.S. Congress. The abduction of 43 students in Iguala and the killings and cover ups in Tlatlaya, both involving elements of the state, have thrown into relief the continued weaknesses of governance in much of Mexico. With violence and the penetration of parts of the Mexican state by drug-traffickers again dominating the headlines, the near-term prospects for greater institutionalization look dim.

U.S. positions on issues ranging from carbon emissions to currency valuation would gain credibility with developing powers like Brazil and China if they were instead North American positions created and taken in conjunction with Mexico and Canada.

At one point in the negotiations of the side agreements, it was the United States that pushed hardest for strong, independent trilateral secretariats on labor and the environment, as well as for a North American Development Bank.[70] Since then, the U.S. has shown less enthusiasm for new North American institutions, except for the ill-fated Security and Prosperity Partnership of the mid-2000s. Since then, the United States has been reticent when it comes to international institution building. Without denying the difficulties of the contemporary U.S. political climate, there are two reasons why the United States might accept these constraints in the future. First, stronger institutions would need to demonstrate that they could create greater returns for North America. Most notably, these returns could come through increased trade facilitated by lower transaction costs. They could also be politically advantageous, moving political footballs like pipeline construction from the

[69] Barbara Koremenos, Charles Lipson, and Duncan Snidal, "The Rational Design of International Institutions," *International Organization* 55, no. 4 (2001): pp. 791-792.
[70] The bank was largely advocated by Lloyd Bentsen; Salinas had briefly borrowed the idea for it from the Texan. In the end, the Bank was given a very narrow mandate, as were the institutions created by the side agreements.

field of politics into courts of arbitration. Short of that, having trilateral panels—with representatives of government, civil society, and the private sector—examine projects for enhanced cooperation would help create an agenda and offer a seal of approval to controversial plans.[71] Second, those institutions could help strengthen the U.S. position—making it a North American position—in international trade talks. U.S. arguments—from carbon emissions to currency valuation—would gain credibility with developing powers like Brazil and China if they were instead North American arguments created and taken in conjunction with Mexico and Canada. The three countries combined would represent a veritable energy powerhouse, including producers and consumers.

Of the organizations created by NAFTA that continue to function, the North American Development Bank is perhaps the most important. The NADBank was born very late in the negotiations on the side agreements, in part to ameliorate concerns about the environmental impact that greater flows of trade would have on the border region. For two decades, it has made significant, if little noticed, contributions to funding about $7 billion of environmental improvement projects on the U.S.-Mexico border. The NADBank has proposed a major reform, which included a merger with its sister institution, the Border Environment and Cooperation Commission, and a significant increase in capitalization. Efforts to unify and reform the two organizations date to conversations between George W. Bush and Vicente Fox in 2001-2002; many of these recommendations went into effect including the merger of the organizations boards.[72] New reforms recommended by the organizations themselves, if implemented, could complete that unification—pending legislative approval from Mexican and the United States. Though the merged bank would seek greater funding, it would maintain its core environmental infrastructure mission and binational governance.[73]

Despite the general lack of interest in institution building, there were some lower-profile signs of movement at the 2014 summit in Toluca, including a plan to clarify bureaucratic lines of responsibility and improve continuity for the North American Leaders Summit. In October 2014, the Council on Foreign Relations restated calls for clearer lines of responsibility on North American affairs in the U.S. government because these questions usually involve a panoply of departments and agencies.[74] This is important, but once established, lines of coordination need to be drawn between the three governments as well. At least in principle, the Toluca declaration adds important ministerial meetings to the continental calendar, notably for energy,

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[71] Robert A. Pastor, *The North American Idea : A Vision of a Continental Future* (Oxford: Oxford University Press, 2011), pp. 191-197.

[72] "North American Development Bank-Border Environment Cooperation Commission Reform," March 22, 2002, White House Office of the Press Secretary

[73] Note: As this paper was being published, the board of the two organizations approved the merger. See David Hendricks, Board approves NADBank, BECC merger, San Antonio Express-News. Regarding funding and the core mission, see: "Discussion Paper: Institutional Integration of the Border Environment Cooperation Commission and the North American Development Bank," July 15, 2014

[74] "North America: Time for a New Focus," Council on Foreign Relations Task Force Report No. 71, October 2014

infrastructure, and research and development.[75] The energy ministerial is planned for December, 2014, and the much-needed North American Transportation Plan is still a work in progress.

Again, the NAFTA negotiations make something clear. Mexico matters to Washington as a foreign policy issue, and that gives Mexico a way to pressure for its preferred solutions. Interdependence makes Mexico salient, while the complexity of the relationship gives Mexico importance that extends beyond trade and into U.S. domestic politics and society. During standstills in the negotiations, Mexico—including Salinas himself—brought up the foreign policy consequences of failing to achieve NAFTA. Bush and his foreign policy team viewed NAFTA at least partially through a foreign policy lens, and the Mexicans encouraged this at various points. Preparing for the fast-track debate in March 1991, economic policy advisors wrote: "The Mexican government has come to the United States in a gesture of confidence and friendship, which is not without risks. The rejection by the U.S. Congress of the Mexican initiative to negotiate an FTA would have a very negative effect on national public opinion. The great advances made in the bilateral relation would be seriously threatened by a deauthorization of the negotiations with Mexico."

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A similar dynamic recurred with the Clinton administration, which signaled its hesitance about the issue during the campaign. Even before Clinton's inauguration, Salinas warned him of possible disasters. As Cameron and Tomlin note: "At the same time, more quietly, the Salinas government had another message for Clinton: delays in the ratification of NAFTA would weaken the Mexican economy and disrupt the complex process of presidential succession, thereby threatening to produce the sort of political instability in Mexico for which no U.S. president would want responsibility. This second message appears to have resonated with Clinton."[76] And as noted above in regards to trucking, interdependence can give Mexico tools to press its interests inside the United States.

[75] "Fact sheet: Key deliverables for the 2014 North American Leaders Summit," February 19, 2014, White House Office of the Press Secretary

[76] Cameron and Tomlin, pp. 182.

Canadian-Mexican Cooperation: Then and Now

The relationship between Canada, Mexico, and the agreement that was to become NAFTA got off to a strange start. Looking for a quick economic boost, Mexico briefly considered seeking accession to Canada-United States Free Trade Agreement as it had been negotiated. Then, in May 1990, SECOFI Minister Jaime Serra offered his Canadian counterpart John Crosbie a seat at the table in U.S.-Mexico talks, only to be rebuffed.[77]
When it appeared Canada might remain on the sidelines, Mexican economic officials traveled to Ottawa to study its experience negotiating with the United States, drawing the conclusion that Mexico needed to work to maintain constant Cabinet-level engagement. “One of the main problems that Canada faced in its negotiation with the United States was the lack of negotiating organisms at the ministerial level.”[78] Serra should seek to engage Hills frequently and directly. Mexico did work to maintain frequent, high-level consultations as part of the structure for the negotiations. Other high-level contacts were aided by the cordial relationship between Bush and Salinas and the interest of officials like Baker, Mosbacher, and Brent Scowcroft. In doing so, they sought to draw a lesson from Canada’s earlier experience.

Within weeks, though, the Canadians reversed their stance. SECOFI noted, “During the last days, there has been a radical change in the position of the Canadian government regarding the FTA. After emphatically expressing its desire to remain on the sidelines, they have recently approached the Mexican government expressing a desire to engage in the negotiations.” The surprising about-face led the Mexican team to question the Canadians’ motivations, worrying it could act as a spoiler. “Canada already has its agreement; because of that, the cost of failure in the FTA is much less (almost zero) than for Mexico. This could mean that Canada takes an inflexible line toward Mexican interests.”[79] There was some disagreement, even within SECOFI, about how to include Canada. During late 1990, SECOFI recommended that the countries “proceed sequentially toward a free trade area,” by trying to merge a new U.S.-Mexico agreement with the extant U.S.-Canada treaties.[80] Ultimately, though, SECOFI recommended including Canada, though not before Serra extracted a letter in February 1991 indicating that negotiations could proceed bilaterally if the third part became a hindrance.[81]

Canada was somewhat cool during the intense fast-track debate, in which criticisms were leveled almost entirely at Mexico, possibly due to continued ambivalence about trilateral talks. Despite the first impressions, Canada and Mexico later developed a generally cordial relationship during the negotiations. This resurfaced as both the United States and Mexico tried to rush toward

[77] Ibid., 67.
[78] "II Informe sobre los trabajos del acuerdo bilateral de comercio," August 1, 1990, SECOFI, Subsecretaría de Comercio Exterior, pp. 12-19.
[79] SECOFI, "ATC," May 30, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.
[80] SECOFI, "Canada y el ABC," January 23, 1991, SECOFI, Subsecretaría de Comercio Exterior, n.p.
[81] Jaime Serra Puche to John C. Crosbie, letter, February 5, 1991, in annex to "Seguimiento de los trabajos del TLC," February 12, 1991, SECOFI, Subsecretaría de Comercio Exterior.

conclusion in Summer 1992. After months of painstaking negotiations, the two countries felt presidential pressure driven by the U.S. electoral calendar. Canada's politics made rushing to an agreement less advantageous, however, and they did not match the flexibility of the other delegations.

Eventually, Mexico held its nose over a few Canadian reservations on cultural and some agricultural products, though Mexico did not get equal treatment. More centrally, Mexican and Canadian interests were closely aligned on achieving strong safeguards against the potentially arbitrary use of countervailing tariffs and anti-dumping measures by the United States. The Mexican negotiators saw this point as paramount, as did the Canadians who sought to entrench mechanisms similar to those contained in their bilateral deal with the United States.

The disagreement stemmed from the dispute resolution panels for anti-dumping in the Canada-U.S. FTA, contained in Chapter 19. That chapter described the mechanism as temporary; Canada felt well-served by it and wanted to make in permanent. The measure had drawn criticism in the U.S. Congress, however, for limiting Congressional prerogatives on trade. Furthermore, there was concern that Mexico's "ley de amparo" could allow Mexican citizens to bring trade disputes to be decided in Mexican courts. The disagreement led to an eleventh-hour breakdown of the closing round of talks when Mexico called for a suspension to signal the seriousness it attached to dispute resolution.

Despite the difficulties at the end, the Mexican administration concluded after initialing the agreements that the added complications of negotiating with a third partner were worthwhile given the benefits of a trilateral agreement. This included not just access to the Canadian market—and Mexico-Canada trade did grow quickly from its low base—but a greater balancing of U.S. economic power.

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Like during the negotiations, the record of cooperation between NAFTA's two smaller partners since 1994 has been mixed. While volume has septupled, Canada has remained the second most important destination for Mexican exports, now largely machinery, intermediate, and capital goods. Mexico ranks in the top five partners for both imports and exports for Canada.[82] Given

[82] WITS

the superpower that separates them geographically, the figures for Canada-Mexico trade will likely grow only slowly. The growth of investment is perhaps a better indicator that North American companies are building regionally to compete globally. The stock of Canadian FDI in Mexico has grown manifold since the inception of NAFTA, reaching $15 billion in 2012.[83] The Canadian powerhouse Bombardier's large engineering and manufacturing operations in central Mexico are only the best-known example.[84] Primary commodities, in particular mining and petroleum, will provide further opportunities for Canadian companies who possess important expertise.

If economic cooperation has grown steadily, political cooperation has been uneven. Canada in particular has developed a reputation for preferring to deal with the United States bilaterally. As a Wilson Center report, published in February 2014 on the eve of the last North American Leaders Summit noted, since the mid-2000s, dual bilateralism has dominated the approaches to both border security and regulatory convergence. The major shock came, as it did for much of North American relations, on September 11, 2001. The U.S. response to the attacks, particularly at its borders, created a grave threat for two countries whose trade and productive capacities were intimately linked to the U.S. market. Despite the fact that the 9/11 terrorists flew into the United States and overstayed their visas, border controls skyrocketed and traffic ground to a near-halt. Canada expressed a fear that its traditionally open border with the United States would be "Mexican-ized," which caused greater qualms about approaching border issues trilaterally. Despite that, there was a brief surge in the Mexican-Canadian bilateral relationship around 2003, provoked in part by the perceived unilateralism of the George W. Bush administration. This spurred a bilateral Canada-Mexico Joint Action Plan, which made significant promises for future cooperation. However, results did not match rhetoric, and enthusiasm waned on both sides. The relationship was not helped by worsening drug-trafficking-related violence in Mexico under Calderón or the Canadian government's decision to impose a visa on Mexican travelers. The visa decision, which Canada took unilaterally and without consultation, came days before a meeting of the two countries' leaders. While Christopher Wilson rightly argues that dual-bilateral efforts can still benefit North America as a whole, their salience demonstrates weak Canadian-Mexican cooperation both bilaterally and in creating effective trilateral forums. And while local approaches, often led by state and municipal officials or NGOs, can be effective, they will by nature follow the dual-bilateral approach.[85]

Does it matter? Is there a compelling rationale for Canada and Mexico to cooperate today, as they sometimes successfully did in NAFTA's creation? The governments seem to say so, at least in principle. The governments recently signed the third successive Joint Action Plan. The plans, which speak warmly of economic, security, people-to-people, and international cooperation, are

[83] "Bilateral FDI Statistics 2014," UN Conference on Trade and Development

[84] Mexican businessman and Bombardier corporate director Carlos Eduardo Represas recently called Bombardier Mexico "a fruit of NAFTA." It began with the takeover of Mexico's newly privatized trainmaker before expanding into aerospace. Represas, public comments at El Colegio de México, October 8, 2014.

[85] See Kathryn Friedman, "Between a Rock and Hard Place? North American Security in the Twenty-First Century"

a good start. In practice, the cooperation has been weakest when the countries turn their attention to the United States.

There are three situations where greater cooperation between Canada and Mexico would be advantageous for the two countries. First, there are a number of issues where Canada or Mexico has attempted to pressure the United States, but has failed. Joint pressure might lead to greater success if the two countries can find ways to define shared interests, such as when looking to forge a North American position in global trade talks. The two countries would seem to have shared interests regarding trafficking in firearms purchased in the United States. More broadly, they have a strong common interest in seeing the United States fully comply with its NAFTA commitments to provide unrestricted market access. Second, there are situations where one country might be able to share useful policy lessons—as the Canadians did before joining the NAFTA negotiations. The two countries have some history of cooperation on environment and climate change, where U.S. domestic politics has led to inaction, and this could be expanded.[86] Finally, there are opportunities for trilateralism to supersede the dual-bilateral approach, which could lower transaction costs and increase joint gains. As discussed above, Canada and Mexico might usefully cooperate on added institutionalization, including regular trilateral ministerials. They might want to start with making sure there is implementation of the goals spelled out in the Toluca declaration. Institutionalization—tri-governmental instead of supranational—could create continuity. For some issues, trilateralism also could help weaken the dynamics of asymmetry, particular if combined with strengthened mechanisms for consultation—starting with transportation and regulatory convergence.

Conclusions: Drawing insights

Despite a much evolved global context, the emergence of North American cooperation was marked by much of the same promise and difficulty as today's North American relationships. There were deep questions about dual-bilateralism versus trilateralism from the very beginning of the negotiations. Mexico and Canada switched positions on the question. Mexico initially sought trilateralism, but Canada showed no interest. Realizing how much was at stake, Canadians decided they needed at a seat in the talks; Mexico was skeptical of Canadian intentions. The United States was primarily reactive to the requests of its neighbors; despite its role as the major power, it did not drive the agenda. Eventually, trilateralism triumphed, but without great enthusiasm, as demonstrated in the separate signing ceremonies. Since the signing, Mexicans have generally been the most enthusiastic trilateralists. Canadians have prioritized a bilateral relationship with the United States and approached trilateralism defensively. For its part, the United States has continued to play a largely reactive role on the question. A jointly

[86] Canada-Mexico Climate Change Cooperation," news release, February 20, 2014. Available online: http://ec.gc.ca/default.asp?lang=En&n=976258C6-1&news=243AF319-291B-4526-A563-BE5FF15DD463

presented Canadian-Mexican plan, however, would be harder for the United States to ignore than were President Fox's requests for the "whole enchilada."[87]

The decision to pursue NAFTA came out of a period of immense international transition, and Mexico was particularly moved to try to find its place in the "new world order." Canada, Mexico, and the United States shared interests and a belief that North America should emerge as a hub in a global economy characterized by both regionalization and globalization. Mexico dramatically altered the way it defined its national interests, particularly as they related to its most important relationship. The redefinition was tied to economic pressures and to the transformation of its long-ruling party. With that party in power once again, and questions of Mexico's role in the world still unanswered, the concerns of the early 1990s remain relevant.

From the beginning, there was asymmetry, and this framed many of the questions faced by negotiators then and policymakers today. The United States' power, and the outsize importance of the U.S. market to their economies, means that Mexico and Canada will watch it carefully, trying to parse its leaders' words and actions. The United States is often less sensitive to its neighbors' concerns. The U.S. is implicitly expected to lead, but that leadership can also easily look like unilateralism. In NAFTA, the two countries looked to blunt the edge of asymmetry, with partial success. The concluding section will briefly offer a few general lessons that the negotiations offer for North American relations today.

Let Mexico Lead

One of the overarching lessons from the negotiations is that U.S.-Mexico cooperation often works better when Mexico leads to the way. It is important for the United States to create and communicate opportunities for deeper cooperation, but not to be heavy-handed in their promotion. Because of the significant overlap in national interests, this approach promises great benefits for the U.S., too.

In their pre-inaugural meeting in Houston, Bush signaled to Salinas that the United States was open to a new relationship with Mexico. That relationship would include greater support for Mexico's debt problems, and it could include greater trade. When Salinas hesitated on trade, Bush did not push it further. In doing so, the United States left the door open for Mexico to take an initiative that it knew would likely be embraced. The tone of the meeting was significant to both sides, but particularly to the Mexicans, who often referred to the "spirit of Houston" to characterize what they felt was a respectful approach to identifying and pursuing mutual interests. Salinas referred back to this in an early phone call with Bush about the trade negotiations. The two men also shared frank conversations about the conflict and elections in Nicaragua, bringing the U.S. and Mexico together to lessen a conflict in which they had previously supported opposing factions.

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[87] Fox's comment, before an early September 2001 meeting with Bush was made particularly in regards to migration, but it typified his approach to a number of North American issues.

Bush was perhaps pushiest on the sensitive issue of oil, but even there, the administration couched its prodding in terms of respect for Mexico's constitutional limits. In a story recalled fondly by Mexicans, when Bush again brought up the matter with Salinas over a baseball game in San Diego, U.S. Ambassador to Mexico John Negroponte politely interjected to tell the U.S. president that the matter could, in fact, spark harsh opposition to NAFTA in Mexico.

The importance of adopting this approach may carry even greater weight with the PRI back in the presidency. Despite the PRI's transformations, political realities dictate that its rhetoric will continue to place a greater emphasis on Mexican sovereignty than did the PAN. Still, the PRI has prioritized close ties with the United States and deeper North American integration. In the still-sensitive question of energy, it was critical that the United States not push too blatantly the interests of its corporations and capital. Here, U.S. foreign policy has been quite prudent, perhaps a lesson learned from NAFTA that public pressure from the United States would only serve to strengthen the hand of critics of the reforms. Instead, what is important is that opportunities for cooperation and created and communicated.

Unlike Salinas's approach to NAFTA, Peña Nieto has focused on making major economic reforms through domestic legislative changes. This process, along with Mexico's democratization, should bolster the changes' domestic political legitimacy. However, with opposition growing and the Pact for Mexico essentially broken, Peña Nieto may once again find it useful to turn to international negotiations for cover to make and "lock in" his economic program. With WTO negotiations stalled and the TPP uncertain, a turn back to North America could provide the Mexican president a useful alternative. The United States (and Canada) should proactively be ready with opportunities that could help Mexico brings its policies on education, energy, telecoms, taxation, and social policies up to OECD standards.

The approach should not be misconstrued as doing nothing. The Bush team was much more engaged with Mexico than many of its predecessors. On matters from energy to trafficking to security, it would serve the countries well to reinvigorate the "spirit of Houston."

Invest in Institutions

Arguments that NAFTA is "under-institutionalized" are often rebutted with reference to the European Union. A three-member North America almost certainly does not need (and would not accept) supranational organizations on the European model. While the United States largely supported the creation of those formal bodies in Europe, when it comes to creating organizations in North America in the last two decades, the U.S. position has ranged from ambivalence to opposition.

Though the terms are often used interchangeably in general discussion, many international relations scholars differentiate between international institutions and international organizations. International organizations are formal bodies that have agreements on membership and codified rules. They probably have a logo and a headquarters. "International institutions" is used more broadly to refer to “related complexes of rules and norms, identifiable in space and time.”[88] With reference to the distinction noted above, that North America lacks *institutions* does not mean it needs supranational organizations.

Institutions help structure expectations—of bureaucracies, businesses, investors. Even without the creation of new trilateral organizations, agreements between the governments can help shape the environment by prioritizing North American cooperation. Even without a standing organization behind it, a more institutionalized North American Leaders Summit—one that doesn’t occasionally skip its own meetings—would help set agendas and orient priorities. Set meetings at lower levels can help institutionalize expectations that cooperative North American solutions should be sought to North American problems. One Canadian scholar recently suggested that Canada could play a role in helping the United States and its southern neighbors address the crisis of unaccompanied migrant children.[89] This intriguing idea is not likely to gain traction as a one-off, but it might get a hearing if migratory issues were typically addressed trilaterally instead of on dual-bilateral tracks. Yes, many of the problems faced at the two borders are different; however, some elements of the solutions could still be effectively shared and cooperative.

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Institutionalizing expectations for cooperative behavior could help the United States get the most from its relationships with its neighbors, help Canada and Mexico build deeper cooperation, and make North American a more seamless and competitive market. Where this cooperation works effectively—often at the level of business oriented border councils—it should be continued. Where it works well on one border, it should be treated as a possible model for expansion. And where it is failing, the leaders of North America need to evaluate why in the context of broader, long-term interests. The negotiation of NAFTA created major numerous near-term political challenges for the three countries—which were sometimes papered over with excessive promises of NAFTA as a panacea. Though the agreement failed to meet many of those challenges, it helped re-align the countries’ interests and set the course for two decades of increasingly close ties between the United States and Mexico.

[88] Robert O. Keohane, "International Institutions : Two Approaches," *International studies quarterly.* - 324, (1988).
[89] Michael Bluman Schroeder, “A little help from our friends: Canada could help alleviate a humanitarian crisis,” *The Hill,* July 30, 2014

There seemed to be a growing recognition of this need at the last North American Leaders Summit, which called for a continental transportation plan and more frequent consultations on other issues. It is not clear where all of these initiatives are, but the lack of information itself is suggestive of the problem. If working groups were revived, as in the case of energy, or created to deal with transportation and education and research, it would help guide bureaucratic labors, shape agendas and issues for decision-makers, and implement decisions in a way that builds on shared interests.

Two decades ago, when Mexican leaders opted for new economic policies and a new approach to the United States, they did so with the insistence that institutions like dispute-resolution processes could help mitigate power asymmetries. This generated more stable expectations by "locking in" access to the U.S. market as well as Mexican economic policy. U.S.-Mexican relations and Mexican macroeconomic conditions have both come a long way, but more work is needed to address the problems the three countries face now.

A 21st Century North America

New security concerns, domestic politics, ongoing squabbles, bureaucratic entrenchment, and other factors have all led to stagnation in the deepening of North American political ties.[90] All of these factors were present in the negotiation of NAFTA, and could have led it to be stillborn. However, the negotiations had a strong presidential commitment, particularly from Bush and Salinas. This commitment was essential when potential obstacles arose, or when tough tradeoffs needed to be made between bureaucratic or domestic-political interests. Bush often noted about NAFTA that "I think it's good for the country, and I think it's good politics."[91] Certainly the political landscape has changed, in part due to the reactions against NAFTA. Though trilateral responses have at times been sparse, investors, businesses, migrants, and traffickers have created a complex, transnational space. However, the negotiations stand as an example of what can be accomplished when leaders at the very top depart from the belief that improving the conditions of our neighbors is both good policy and good politics.

In the early 1990s, North America's leaders—particularly in Mexico and the United States—viewed the negotiations as an historic opportunity in international relations, not just for domestic economic interests. For Salinas and many in his administration, the decision to approach the United States about a free-trade agreement emerged from their reading of global changes with both political and economic ramifications. If a world of economic regions were to replace one of two ideological blocs, then Mexico should not be left on the sidelines. Creating those economic regions would require deeper political cooperation, and that spurred major changes to Mexican foreign relations. For the United States, the opportunity was to replace the often-antagonistic U.S.-Mexican relationship with cooperation. This coincided with Bush's views on the need for a

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[90] Pastor, ch. 5.
[91] "Breakfast meeting with Carlos Salinas, president of Mexico," February 27, 1992, memorandum of conversation, George Bush Presidential Library

more institutionalized, U.S.-led "new world order." As Clinton's decisive actions during the 1995 Mexican financial crisis demonstrated, U.S.-Mexico relations were an important piece of his view of a more globalized world.[92] It is beyond doubt that NAFTA has led to a transformation of U.S.-Mexican relations. It created a continental economy with dramatic increases in trade and investment. It furthered societal ties between its members, even as some leaders promoted NAFTA as a solution for undocumented migration. However, it has not been the promised panacea, especially for a Mexico seeking a path to economic development. Today's major global transformation has been spurred by the rise of China, to which the United States tried to respond with a "pivot to Asia." Though the U.S. pivot has been at least partially reversed by the new military campaign in Iraq and Syria, the underlying dynamics of rising Asian power remain. The experience of the early 1990s suggests that just as there was a North American response to the formation of regional groupings, Canada, Mexico, and the United States should try to pivot together on economic matters.

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What makes North America unique? At the time of its signing, NAFTA was trumpeted as the first major FTA between wealthy countries and a developing one. That model has spread. It was supposed to be, under Clinton, a trade agreement for the new century that included labor and environmental concerns. Opponents doubted the sincerity of those efforts, with some good reasons, and have continued to push for stronger safeguards. Put another way, where might North America's comparative advantages lie? Today's North American economy is distinguished by its tremendous energy reserves, its capital markets, its high-end and highly interconnected manufacturing capabilities, and the power of its "knowledge economy." These combine to create an economically dynamic region. North America is also bedeviled by the frequent political gridlock of its largest member economy and stagnant productivity and physical insecurity in its smallest economy. Economic convergence has often outstripped political cooperation; both are crucial.

Twenty years later, it is still not clear what North America's global role should be. As during the simultaneous GATT and NAFTA negotiations, North America serves as an intersection between the regionalization and globalization of the world economy. While the European Union tries to

[92] On the broader foreign policy views of both administrations, see Derek Chollet and James Goldgeier, *America between the Wars, 11/9 to 9/11 : The Misunderstood Years between the Fall of the Berlin Wall and the Start of the War on Terror* (New York: PublicAffairs, 2008).

act as a unified bloc in global trade talks and to a lesser extent in its approach to foreign policy, North America remains much more Westphalian. This is not necessarily a handicap. Supranational structures are not necessarily more efficient or democratic. By way of example, Mexico's oil reform needs the legitimacy gained only through difficult domestic political debate; a supranational mandate would not have worked in 1994 and would be counterproductive now. The negotiation and ratification of NAFTA included overselling it in a way that harmed the agreement long-term. Reflecting on that experience, even the staunchest advocates of North America must realize that trilateralism is not a panacea now, either.

The trilateral currents, so weak even at the beginning that NAFTA was signed separately in the three capitals, have grown weaker still. The three countries largely engage with one another, and the world, separately instead of synergistically. The question should be, when engaging with the world, how can North America be more than the sum of the three nations that constitute it?

The answer lies in how North America can combine the regional and the global. It should never aspire to be a regional bloc, closed to the world, but instead it should be a stronger hub. Its supply-chain integration, abundant energy, and cultural fluidity provide the necessary basis. Its huge combined market offers incentives for other parts of the world to follow its lead. Together, North America can more credibly address issues of trade fairness. In the economic and beyond, the United States' unmatched economic, political, and military global networks should help North American influence extend beyond the three countries' borders. Canadian and Mexican participation could make many foreign policy initiatives better. Alone, the United States speaks as a wealthy hyperpower that can easily create resentment. U.S. efforts in Central America have been associated with the heavy-handed approach of the war on drugs. Building more Canadian and Mexican cooperation could help blunt that edge, add expertise, and address real shared interests.

As Mexico works to implement a series of ambitious productivity enhancing reforms that will have significant implications for trade and investment flows, some of these lessons are even more important for that country. Despite a climate more characterized by partnership, power asymmetries were fundamental to the negotiations and remain so today. The role of institutions remains important to mediating those asymmetries, as both the Mexicans and Canadians sought to accomplish through the creation of dispute-resolution mechanisms. This is one area where Mexicans and Canadians have untapped space for cooperation. Despite early Mexican skepticism that Canadians might act as spoilers in the talks, cooperation between the two was important at various points, particularly in limiting the potential for U.S. protectionism from the side agreements. In today's era of increasingly diffuse power, we should pause to reflect how leaders saw the role of NAFTA globally. Mexican leaders, in particular, saw North America in light of the ending Cold War order and the emergence of Europe under the Treaty of Maastricht. North America now faces different global challenges, but it is an opportune moment to reconsider the continental market not just as a matter of tariffs, but in a broader strategic framework.

Twenty years later, the promise and the challenges of North America remain great. The road ahead will hold shocks and surprises for Canada, Mexico, and the United States. But the responses to these challenges should depart from the view that together, there is much to be gained.

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