4

# A Recalculation of Interests

## *NAFTA and Mexican Foreign Policy*

No event since the Mexican Revolution has had such a dramatic effect on relations between the United States and Mexico as the North American Free Trade Agreement (NAFTA). NAFTA has often been understood as the result of expansionist U.S. trade policy at a triumphal historical moment – a victory for the U.S. international economic agenda even as the Soviet Union collapsed. This interpretation largely ignores Mexico's role in initiating talks. NAFTA fed hopes for a "free trade zone stretching from the port of Anchorage to Tierra del Fuego," in the words of President George H.W. Bush.[1] This initiative had started with Canada a few years prior. However, it received its most important boost when the United States and Mexico decided in early 1990 to pursue an agreement that would, for the first time, tightly link the world's largest economy with that of a much lower-income country.

Despite the congruence with announced U.S. policies – President Reagan had similarly dreamed of free trade from "Yukon to Yucatan"[2] – the pact hinged not on U.S. pressure but on Mexican leaders' profound reevaluation of their own country's interests. NAFTA reflected a realization that Mexico could best pursue its interests by engaging the United States in institutional arrangements instead of by rhetorical counters. Even before NAFTA, Mexico relied on exports of oil and light manufacturing from *maquiladoras*, overwhelmingly to the United States. The rules governing these exports were open to constant negotiations and the frequent threat of countervailing duties on Mexican products. With NAFTA, Mexico's leaders sought to eliminate

1 "Remarks announcing the Enterprise for the Americas Initiative," June 27, 1990, Public Papers of the President. Available online: http://bushlibrary.tamu.edu/research/public_papers.php?id=2041.

2 Even in November 1988, Mexican leaders told the *New York Times* they had little interest in such an idea.

uncertainty, convincing the United States to make commitments and bind itself to dispute settlement mechanisms. The shift could not have happened without Mexico's recalculation of its national interest vis-à-vis the United States and Mexico's aggressive pursuit at key moments. To be sure, Mexican actions do not provide the entirety of the explanation. However, Mexican leaders' initiatives took advantage of a coincidence of other factors to dramatically alter the nature of the U.S.–Mexico relationship.

Brandishing the scars of territorial loss in 1848 and U.S. interventions during Mexico's bloody revolution, Mexico's ruling Partido Revolucionario Institucional (PRI) based its foreign policy on the desirability of maintaining autonomy from the United States in defense of Mexican sovereignty. President Carlos Salinas de Gortari (1988–1994) dramatically revised that stance, while gradually discarding the rhetoric. While Salinas' economic reforms followed the trail blazed by his predecessor, Miguel de la Madrid (1982–1988), his recalculation of Mexican foreign policy was previously almost unthinkable. It reversed one of the central tenets of the PRI legacy. Though NAFTA has been discussed largely in economic terms, both in relation to international trade and as a mechanism to "lock in" liberal reforms that dismantled Mexico's import substitution apparatus, its foreign policy significance is of equal importance. The increase in interdependence the agreement produced led to still-greater changes. This was just as NAFTA's architects, Mexican and American, wished. The decision to pursue a free trade agreement (FTA) was a major shift in *how* Mexican leaders sought to influence the United States.

While this decision had much to do with the worldviews of President Salinas and his coterie of U.S.-trained economists, it is too narrow to interpret the agreement only in personalistic terms. NAFTA was a watershed moment for Mexico, not an aberration. The shift started more cautiously before Salinas' presidency, and it has proved remarkably durable. The North American strategy guided Mexican economic and foreign policy through the historic collapse of the long-ruling PRI, two *sexenios* of the Partido Acción Nacional (PAN), and now a reemergence of the PRI. The decision immediately changed the tenor of Mexican policy toward the United States. Mexico quietly handled irritants – including an embargo on its tuna exports, the invasion of Panama, and the kidnapping of a citizen to stand trial in the United States – that might have derailed improved relations.

While a tremendous amount has been written about NAFTA, there are considerably fewer works that examine the actual negotiations. Frederick F. Mayer offers a detailed account as a test for frameworks of political analysis.[3] Maxwell Cameron and Brian Tomlin build on dozens of interviews and a thorough review of mostly U.S. sources to assess the importance of power asymmetry, political institutions, and negotiating positions on the process and

3 Frederick W. Mayer, *Interpreting NAFTA: The Science and Art of Political Analysis* (New York: Columbia University Press, 1998).

final agreement.[4] A few scholars have examined the agreement more broadly in terms of how it has affected relations between Mexico and the United States. Jorge I. Dominguez and Rafael Fernández de Castro argue that Salinas and Bush shifted the trajectory of bilateral relations from its historical patterns of "conflict" or "bargained negligence" to a new cooperative path.[5] Two Mexican scholars argue that this led to a dramatically new level of interaction between Mexican foreign policy and the U.S. political system – something that would have been both unthinkable and unacceptable just a decade earlier.[6]

This chapter builds on newly available Mexican and U.S. archival sources. There has not, to my knowledge, been a study of the NAFTA negotiations that incorporates significant Mexican documentation, which I obtained at the Secretaría de Economía (formerly the Secretaría de Comercio y Fomento Industrial, or SECOFI, the agency that led the Mexican negotiating team). Building on these documents, as well as on interviews with key members of the negotiating team, this chapter seeks to contextualize and explain crucial Mexican decisions. Why did Mexico decide to open its economy, and, in a second step, tie itself more closely to the United States? How was this decision seen in relation to Mexican foreign policy? How did Mexico define what issues it was willing to include and what needed to be excluded from an agreement? Why did Mexico reverse its traditional stance regarding involvement in other countries' internal politics by engaging in an intense lobbying effort in the U.S. Congress? How did Mexico relate to Canada during the negotiations? In closing, I examine the effects of NAFTA on U.S.–Mexico relations.

## Background

In the 1970s, Mexico's discovery of the massive Cantarell oil reserve, coupled with high international prices for oil, offered a sudden windfall, which Mexico used to fund government programs and enhance its international role. The country took on significant loans from private lenders, on the expectation of continued high oil prices, to spur rapid development. When oil prices dropped and interest rates climbed in 1981, Mexico suffered climbing debts, a fiscal

4 Maxwell A. Cameron and Brian W. Tomlin, *The Making of NAFTA: How the Deal Was Done* (Ithaca, N.Y.: Cornell University Press, 2000). In addition to Mayer and Cameron and Tomlin, a handful of other books focus on NAFTA, but I do not review them in depth here. For a detailed look at four sectors of the negotiations, see Maryse Robert, *Negotiating NAFTA Explaining the Outcome in Culture, Textiles, Autos, and Pharmaceuticals* (Toronto: University of Toronto, 2000). The book suffers from a forest-for-the-trees approach that ignores much context and well as trade-offs across sectors. It gives little attention to why Mexico sought the agreement.

5 Jorge I. Domínguez and Rafael Fernández de Castro, *The United States and Mexico: Between Partnership and Conflict* (New York: Routledge, 2001).

6 Rodolfo O. De la Garza and Jesús Velasco, *México y su Interacción con el Sistema Político Estadounidense* (México: CIDE, Centro de Investigación y Docencia Económicas: M.A. Porrúa Grupo Editorial, 2000).

crisis, and a painful recession. In 1982, the Mexican government announced it could no longer service its debt; shortly afterward, the Mexican government shuttered and nationalized the country's major banks. That year, Mexico's GDP plummeted by 4.2. Mexico was obliged to accept structural adjustments in a deal with the International Monetary Fund and the U.S. Federal Reserve, but that brought only fleeting stability. Internally, the Mexican government created the Secretaría de Comercio y Fomento Industrial (SECOFI), which came to be dominated by liberal economists.

In 1986, another recession inflicted a 3.7 percent drop in GDP.[7] Much of Mexico's political class interpreted the dual recessions as evidence that the old PRI economic model had reached its limit. Oil prices remained low and Mexico had little access to credit markets. Government subsidies to unproductive, state-controlled sectors were no longer fiscally viable. In February 1985, President de la Madrid announced a new policy in which Mexico would begin seeking foreign direct investment – something it had long limited. De la Madrid said he would consider closer trade relations with the United States – though a free trade agreement (FTA) was never on the table.[8] In a major turnaround, Mexico joined the General Agreement on Tariffs and Trade (GATT) in July 1986.[9] Growth remained sluggish. The economic picture was complicated by ongoing debt negotiations with commercial banks, the United States, and international financial institutions. Throughout the mid 1980s, Mexico rescheduled payments, but the stopgap measures led to a greater overall debt burden. Creditors resisted calls for debt reduction. Mexican leaders again threatened default.

President Carlos Salinas took office in these inauspicious circumstances. Salinas' powers were extensive, and political competition was circumscribed. The PRI dominated the compliant Mexican Congress, which had little input in trade policy and almost no input in foreign policy. The PRI influenced media coverage and organized both labor and business interests into supportive coalitions dependent on the state.[10] As president, Salinas stood atop this hierarchy for six years. Salinas, who had a Ph.D. from Harvard, surrounded himself with Mexicans educated in elite, U.S. doctoral programs. These included his economy and trade minister Jaime Serra Puche and his deputy Jaime Zabludovsky; finance minister Pedro Aspe; Herminio Blanco Mendoza, who became chief trade negotiator; and Salinas' close advisor, José María Córdoba Montoya. All had backgrounds in liberal economics and they largely trusted freer markets to spur economic growth.

7 World Bank database.

8 "President de la Madrid defines Mexico's policy on foreign investment," February 1985, *Mexico Today*, p. 1.

9 Cameron and Tomlin, *The Making of NAFTA*, p. 59.

10 Weintraub notes that Salinas was able to massively sway public opinion in Mexico, and "He probably could not have achieved the turnaround in Mexican public opinion that he did had he not been an authoritarian leader." Sidney Weintraub, *Unequal Partners: The United States and Mexico* (Pittsburgh, Pa.: University of Pittsburgh Press, 2010), p. 32.

The weak economy and debt crisis was only one part of the turbulent situation that Salinas encountered. His government faced doubts about Salinas' own legitimacy and ability to govern. Though the PRI remained formidable, Salinas' election had been the most bitterly contested in the PRI's decades of one-party rule. He had faced opposition candidate Cuauhtémoc Cárdenas, the son of revolutionary hero and former President Lázaro Cárdenas. The younger Cárdenas had defected from the PRI to create his own political movement, and many Mexicans who had previously accepted one-party rule saw Salinas' victory as marred by electoral fraud. That de la Madrid had chosen Salinas to be his successor confirmed the PRI's intention to continue liberal reforms. Salinas had served on de la Madrid's cabinet and was a vocal supporter of lowering tariffs, privatizing industry, and reducing state involvement in the economy. Salinas appointed liberal reformers to the upper echelon of his team, including U.S.-trained economists Aspe and Serra Puche. Their major priorities were to address the debt, control inflation, and begin dismantling protectionist barriers.[11]

Liberalization began well before Salinas decided to pursue an FTA with the United States: "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.[12] For Salinas, economic liberalization was a means to economic growth, which was itself a means to boost the popularity of the PRI to the point it could continue to win elections, even as they became increasingly fair. Salinas' views were further shaped by historical global changes. As Salinas took office, the Soviet Union was in the midst of remarkable transitions. Salinas saw Mexico's own changes in a global context.

From the beginning of his term, it was clear that George Bush would have to manage grand global changes. The Berlin Wall tumbled down during his first autumn in office, setting off a quick succession of events leading to the speedy reunification of Germany and the shocking collapse of the Soviet Union. In that context, it might be surprising that relations with Mexico received frequent, high-level attention, especially since Bush also launched military interventions in Iraq and Panama. What accounts for the Bush administration's consistent interest in Mexico? It is often noted that the Mexican leadership team held many advanced degrees from U.S. universities. The backgrounds of influential members of the Bush administration drew them to Mexico. In an interview, Bush's Ambassador to Mexico John Negroponte noted: "The administration really cared about the relationship . . . it was a bunch of Texans. They understood that the relationship was important. No one had to convince them. This

[11] Carlos Salinas de Gortari, *México: Un Paso Difícil a la Modernidad* (Barcelona: Plaza & Janés Editores, 2000), p. 9.
[12] Cameron and Tomlin, *The Making of NAFTA*, p. 59.

was a national decision, and made at a political level."[13] Trade negotiations would be a high priority for both the Mexican and the U.S. administrations. Bush's base was built on his close relationship with the business sector, most of which strongly supported increased trade with Mexico, though many in Congress opposed his trade policies.

### Bush and Salinas, Starting Together

Bush and Salinas met in Houston, both presidents-elect, on November 22, 1988. Bush had intimated during the campaign that he would like to extend the recently approved U.S.–Canadian free trade deal into a North American agreement. Candidate Bush told a business luncheon in Chicago: "We need to build on our agreement with Canada by developing a new, special economic relationship with Mexico."[14] Though Bush's comments attracted little attention in the United States, Salinas' close political advisor Córdoba Montoya recalled in an interview that Bush had been the first to put the idea of free trade on the table.[15] The bulk of the preinaugural meeting centered on Mexico's debt, then more than $100 billion. Salinas recalls in his memoirs that Bush mentioned free trade during that meeting: "To start, President Bush proposed the establishment of a free trade zone between Mexico and the United States . . . Bush's proposal came in an unexpected moment . . . He did not insist on free trade, but he had proposed the topic, and I would recall that as time passed."[16] There is some disagreement about the nature of this proposal. Neither Negroponte nor Serra Puche was at the meeting, but neither believes Bush proposed it. James Baker, who was present, wrote in his memoirs: "The subject of a free-trade agreement was not raised."[17] Córdoba Montoya was present, and referenced the proposal in an interview in the same manner as Salinas. Despite the disagreement about whether an FTA was mentioned, trade and debt were clearly on the agenda. At the time of the meeting, Salinas saw an FTA as too great a leap for Mexico as the country dealt with debt and banking crises. All agree that an FTA was not mentioned again until Salinas took the initiative. In a March 8, 1990 phone call, after the Mexican government had made its momentous decision to seek an FTA, Salinas reminded Bush of the proposal "of a possible FTA" made in Houston. Bush simply responded, "Yes."[18] During the

[13] John Negroponte, telephone interview with the author, April 20, 2012. See also Stuart Auerbach, "Mexico comes calling for free trade," *Washington Post*, June 10, 1990, p. H1.

[14] "Excerpt of remarks of Vice President Bush," at the Executive's Club in Chicago, Ill., September 13, 1988, via *Federal News Service*.

[15] José Córdoba Montoya, interview with the author, May 3, 2012, Mexico City, Mexico.

[16] Salinas de Gortari, *México*, p. 12.

[17] James Addison Baker and Thomas M. DeFrank, *The Politics of Diplomacy: Revolution, War, and Peace, 1989–1992* (New York: Putnam, 1995), p. 607.

[18] "Telephone conversation with President Salinas de Gortari of Mexico," March 8, 1990, George Bush Presidential Library (GBPL). Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1990-03-08-Salinas.pdf.

Houston meeting, the two presidents-elect and their key advisors established positive personal relations – they would later refer to the "the spirit of Houston." The leaders held numerous phone calls and meetings during their presidencies. Bush invited Salinas for suppers at the White House and weekends at Camp David and Kennebunkport. The rapport seemed genuine, based on perceived shared interests.

Salinas took office days after the Houston meeting, on December 1, 1988. Debt was the top priority, and Salinas charged finance secretary Pedro Aspe with addressing it. Continuing discussions from Houston, Aspe insisted to U.S. Treasury Secretary Nicholas Brady that additional rescheduling was not an option. Constant negotiations cast uncertainty over Mexico's economic future. If Mexico did not obtain significant write-offs of its commercially held debt, it would be forced to stop servicing it.[19] These talks led to the U.S. announcement of the Brady Plan on March 19, 1989, with Mexico expressing immediate interest.[20] The plan gave Mexico a framework for its negotiations with commercial creditors, with the banks accepting either long-term, low-interest payments or markdowns in exchange for U.S. Treasury-backed bonds. By August 1989, Mexico had completed negotiations for a significant part of its debt.

That autumn, Mexico turned its attention to trade. The Salinas government argued that its tariffs reductions had not led to corresponding improvements in market access for Mexican exports. The government's May 1989 development plan noted: "Mexico has undertaken an important process of commercial opening to increase the efficiency and competitiveness of national production. However, this opening has not been adequately reciprocated in terms of access to international markets."[21] Though Salinas had moved aggressively to open the economy, there was not a consensus inside the Mexican government that an FTA with the United States was in Mexico's interests – or that it was politically desirable. Negroponte said that during 1989, talk of an FTA was not seen as realistic. "My honest recollection at that time is that it was considered too hard. We'd have to stick to a more gradualistic approach, sector by sector. That was the prevailing wisdom."[22] Salinas favored incremental increases in U.S.–Mexico ties through agreements to strengthen trade and investment in limited industrial sectors, increasing quotas for Mexican exports of steel and textiles, for example.[23] The two countries sought to expand the 1987 framework agreement on trade and investment to provide a mandate for broader negotiations.

[19] Pedro Aspe, interview with the author April 27, 2012, Mexico City, Mexico.

[20] President Salinas called Bush almost immediately after the plan was announced. "Telephone conversation with President Salinas," March 10, 1989, GBPL. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1989–03–10–Salinas.pdf.

[21] "Extractos del Programa Nacional de Modernización Industrial y del Comercio Exterior, 1990–1994," in Carlos Arriola, ed., *Documentos Básicos* (México: SECOFI, Grupo Editorial Miguel Ángel Porrua, 1994), doc. 4.

[22] John Negroponte, interview with the author.

[23] Cameron and Tomlin, *The Making of NAFTA*, p. 60.

Mexican leaders pressed the United States for larger quotas and lower tariffs on particular products, but eschewed a more comprehensive agreement.[24]

Salinas made a state visit to Washington in October 1989, where he and Bush presented sectoral agreements and highlighted improved bilateral cooperation.[25] The Mexican president pressed for expanded Mexican exports, arguing it would stimulate trade and improve the overall bilateral relationship.[26] Trade was central to the agenda throughout the visit. Shortly after the state visit, Commerce Secretary Robert Mosbacher told a Senate committee he thought a U.S.–Mexico trade agreement was likely, and that the United States should pursue it incrementally. Other officials noted that Salinas had continually rejected the idea of an FTA.[27] Publicly, Mexican officials insisted they had no plans to pursue a comprehensive agreement. Even Jaime Serra Puche, personally committed to free trade, denied an agreement was in the offing. Shortly after the state visit, Serra Puche addressed Mexican news media to explain the new sectoral trade agreements. When asked, he said that a trade agreement between Mexico and the United States was not feasible:

> You will remember that on the topic of whether we would develop a common market between Mexico and the United States, we have said that the difference in levels of development between the two countries is still of the nature that it would not be natural to establish a free trade agreement between the two countries; but it is possible and we have to study the possibility of making sectoral agreements between the two economies.[28]

Serra noted years later: "I could not give the slightest hint on an FTA without creating antibodies."[29] Salinas was concerned about the reactions of Mexican society, including major segments of his political base, to the idea of overly close cooperation with the United States. While he struck a cooperative tone on trade, he was less openly cooperative on issues like counternarcotics. Salinas refused to allow U.S. agents to pursue suspects across the border in "hot pursuit," citing concerns about Mexican sovereignty. Salinas wanted closer ties with the United States, but he was eager to signal the limits to that cooperation.

24 "Salinas hails better U.S. ties," *The Washington Times*, October 3, 1989, p. A6.

25 George Bush, "Remarks at the signing ceremony for the Mexico-United States environmental and trade agreements," October 3, 1989, The American Presidency Project. Available online: www.presidency.ucsb.edu/ws/?pid=17610.

26 Adela Gooch, "Bush, Salinas hail pact to boost mutual trade," *Washington Post*, October 4, 1989, p. A 12.

27 Clyde Farnsworth, "Mosbacher sees a free-trade pact with Mexico," *New York Times*, October 15, 1989, p. D9; Karen Riley, "Free-trade pact with Mexico advocated," *The Washington Times*, October 19, 1989, p. C1.

28 Jaime Serra Puche, 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.

29 Serra Puche, email correspondence with the author, May 3, 2012.

### Sea Change: Mexico Proposes an FTA

Just three months after Salinas and Serra had publicly rejected an FTA, they would propose a pact to U.S. Trade Representative Carla Hills, leading to much greater economic interdependence and an historic shift in the nature of the U.S.–Mexico relationship. What happened between October and January to provoke the changed Mexican position? First, Salinas was affected by the dramatic shifts in the international environment. A month after Salinas' return from Washington, the Berlin Wall fell. The opening of Eastern Europe seemed to signal the triumph of democracy and open markets – an argument Salinas made to Bush the first time he directly presented the idea of an FTA.[30] Along with the unwinding of Central American conflicts, the global shift shook the pillars of the PRI, which had exhibited its "revolutionary" nature through (often symbolic) support of leftist causes abroad and nationalist, historically focused appeals for autonomy from the United States.[31]

With the debt negotiations largely complete, Salinas' government turned toward generating economic growth. The top leadership was convinced that Mexico needed to move toward freer trade, using foreign investment and stronger exports to create employment. Mexican leaders hoped to balance their ties with the United States with links to the rest of the world. Salinas and others believed that the path to economic growth, without greater dependence on the U.S. market, led to Japan, whose growth through the 1970s and 1980s drew great admiration. Mexican citizens held the Japanese in higher esteem than Americans, according to polls in 1988. In September 1989, Mexico hosted a visit from the Japanese prime minister. The visit ended cordially, but without any specific agreements. Economic ties between the two countries grew, but they were never very large.[32] Mexican hopes for major Japanese investment, aid, and debt relief failed to materialize. The perception grew that Japan was interested first in building an East Asian trading bloc, and second in maintaining trade with the United States. The Japanese touted the visit as a demonstration that Japan would assist the United States with global problems.[33]

Having failed to make inroads with Asia's economic power, Mexico's officials met on January 8, 1990 in the *gabinete económico*, or economic cabinet – the central forum in the Salinas government. Mexican leaders again emphasized the need to promote export-led growth to generate employment for a young, growing population and earn foreign exchange. With oil prices low, Mexico's traditional source of exchange was insufficient. The economic team had hoped

30 "Telephone conversation with President Salinas de Gortari of Mexico," March 8, 1990, GBPL.

31 Salinas' changed stance did not mean unquestioning support of the United States. Mexico, along with the rest of Latin America, loudly decried the U.S. invasion of Panama on December 20, 1989.

32 Domínguez and Fernández de Castro, *The United States and Mexico*, p. 23.

33 Karl Shoenberger, "Japan, Mexico pledge closer economic ties," *Washington Post*, September 6, 1989, p. C4.

for short-term gains after the resolution of the debt crisis, but improvement had been slow.

Mexico had failed to attract serious attention from Japan, so the Salinas administration decided to pursue investment and trade deals with Europe.[34] In late January 1990, the Mexican team, including Salinas, Serra, Córdoba Montoya, and Aspe, set off on a tour of Europe. Salinas met with Mario Soares of Portugal, Margaret Thatcher of the United Kingdom, and Helmut Kohl of Germany. All noted that attention and investment would likely turn to Eastern Europe, and that Mexico needed to focus regionally to attain growth. Kohl told Salinas that Mexico would "only be attractive as part of one of the three great blocs of international commerce."[35] As they traveled across Europe, and tried in Davos to position themselves among global political and business elites, Salinas came to a realization. The end of communism in Eastern Europe was not simply a victory for free markets. The sudden changes meant that the number of middle-income countries looking to attract foreign investment had suddenly exploded. The former Soviet republics were competing with Mexico for international capital, and they had the advantage of being much closer geographically – and more important geopolitically – to Western Europe. Reducing its debt and enacting economic reforms was not enough to put Mexico on the agenda of the turbulent European continent. Serra explained: "When we went to Davos, we were not in the investment map . . . [W]e realized that the opening up of Eastern Europe and so on, was really leaving us behind in terms of being able to attract foreign direct investment, which the country needed and needs badly. And also our trade flows weren't growing like they should."[36] Experience with the Japanese forced the realization that Asia would not offer a quick economic solution. The trip to Europe drove home the point that Mexico could not count on the old continent, either.

### A Watershed Recalculation of Interests

Mexico's decision to reverse decades of policy intended to keep the United States at arm's length came suddenly. There had been cautious steps since 1985, but the decision to propose an FTA was made between the president and two or three ministers, Serra said. As Salinas recounts the story, he woke up Serra during a restless night in Davos. As Serra sat on the side of the bed, Salinas told him that he had talked with Aspe and wanted to approach the U.S. trade representative in the morning to propose free trade talks. Serra, as Salinas knew, supported the idea.[37] Serra and Hills already had a meeting scheduled

34 Salinas de Gortari, *México*, p. 45.
35 Ibid., pp. 47–48.
36 Jaime Serra Puche, interview with the author, May 2, 2012, Mexico City, Mexico.
37 Salinas de Gortari, *México*, pp. 50–51.

to finalize an agreement on textiles. The pair left that to their deputies while Serra made the unexpected gambit.

Though the idea of a U.S.–Mexico free trade area had been in circulation since the mid 1980s in political and academic circles, it had not gained political traction during the de la Madrid administration and was scarcely discussed during the first year of the Salinas government.[38] Free trade with the United States was not seen as politically feasible or particularly desirable. Mexico feared that economic openness would make it vulnerable to U.S. pressures. However, even without an FTA, more than 77 percent of Mexican exports were being sold to the United States.[39] Mexican leaders did not give up the notion of reducing dependence on the United States, but they recognized that in the status quo, Mexico was already dependent. Mexico was more vulnerable when these exports relied on short-term agreements. Mexican exporters depended on the Generalized System of Preferences (GSP), under which Mexico could export under low or zero tariffs – if those exports stayed under set quotas. Serra noted that some of the large, export-driven industries shut down before the end of the year as they approached GSP quotas for preferential access to the U.S. market. Businesses were reluctant to make large investments when their market access depended on frequent quota negotiations. The Mexican team accepted many of the arguments made by European leaders: as part of a North American market, Mexico would be an interesting economic partner – a gateway to U.S. consumers. Serra and Salinas did not relinquish their goal of diversifying Mexico's economic ties, but they adopted a radically new strategy.[40]

On the one hand, Salinas' core goals had not changed. His priority was to spur economic growth to maintain PRI popularity in the face of increasing democratization. On the other, the decision represented a major shift from the longtime Mexican goal of autonomy from the United States through the avoidance of dependence. The Salinas administration saw the goal of autonomy differently, as a question of interdependence instead of dependence. Dependence made Mexico more vulnerable to U.S. pressures, but an understanding based on interdependence meant that Mexico could gain leverage, too. This was particularly true on economic issues, where Serra Puche was eager to guarantee market access. Political advisor Córdoba Montoya saw interdependence as the best way to pursue Mexico's long-term political interests, as well. Mexico's geographical proximity to the United States was not going to change,

[38] Interviews with Serra Puche and Aspe.

[39] The United States imported $27.186 billion dollars in goods from Mexico in 1989, out of a total of $35.171 billion of total Mexican exports. Foreign Trade Division of the U.S. Census Bureau and WTO Statistics Database, respectively.

[40] In fact, Mexico has remained stubbornly dependent on the U.S. market to buy its exports. In 1990, nearly 70 percent of Mexican trade was with the United States. This figure has stayed fairly steady and only declined slightly starting in 2005.

but the understanding of it shifted dramatically. The shifting international landscape weighed heavily. In 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.[41]

### *The U.S. Reaction*

U.S. Trade Representative Carla Hills' first response to Serra was ambivalent. She was glad that Mexico wanted to lock in reforms and lower tariffs; however, her near-term priority was to conclude the Uruguay Round of GATT negotiations. Serra argued that the two sets of negotiations were "not incompatible." While Hills agreed, she was cognizant of the limited attention of high-level officials and the U.S. Trade Representative's (USTR) limited resources to attack two simultaneous, complex negotiations. Hills told Serra she would have to consult with her president. The Mexican proposal converged with long-standing U.S. goals of opening markets, but the U.S. preference had long been for global trade regimes – namely the GATT – instead of regional blocs that it might be shut out from. At Canada's request, the Reagan administration took a step away from the globalist position and agreed to negotiate a bilateral trade agreement. The ongoing Uruguay Round of the GATT was bogged down in disputes between the United States and Europe on agriculture, services, and intellectual property. However, USTR hoped to break the stalemate and achieve a number of major U.S. trade priorities.

Having taken the decision to approach the United States, Mexican leaders did not wish to wait for the completion of the Uruguay Round to start bilateral talks. Making concessions or liberalizing in the GATT negotiations could lower their bargaining leverage at the bilateral level. Plus, they needed to quickly establish macroeconomic stability and attract investment. While they saw the GATT as useful, it did not offer Mexico the unique, high-profile benefits of securing access to the world's largest economy. The Mexican leadership was betting that expectations created by FTA negotiations would spur an economic boost. Mexico appealed to the highest levels of the Bush administration to prevent any delay. Serra talked with Secretaries Baker and Mosbacher – both Texans. Baker wrote in his memoirs that "even while we had been negotiating the Canadian FTA we had thought about the benefits of expanding it to a continent-wide free-trade zone." Baker held Salinas in high regard.[42] Córdoba Montoya developed a relationship with National Security Advisor Brent Scowcroft. U.S. Ambassador Negroponte provided a sympathetic ear and pathway to President Bush. Shortly after the Mexican proposal, a group of American officials gathered with Bush to discuss the possibility of negotiations with Mexico, and how this might relate to the GATT talks. If there was

41 Carlos Salinas, in conversation with Robert A. Pastor, July 28, 1990. Robert A. Pastor personal papers.

42 Baker and DeFrank, *The Politics of Diplomacy*, p. 43.

any serious thought of delaying trade negotiations with Mexico until after the Uruguay Round, Bush ended it. For the United States, long-term foreign policy interests trumped multilateral trade goals.

In early 1990, Salinas called Bush and said: "I think now that what's happening in the world and in Mexico suggests that we should speed up and broaden the scope of negotiations. So Mexico is willing to initiate a negotiation for a free trade agreement with the United States." Europe would be gaining an advantage from the cheaper labor in the opening eastern bloc. Salinas added that "in Mexico I want to consolidate the new policies for a market-oriented economy." Bush responded warmly to the idea, which he had already heard from Hills and others. The two presidents agreed they would quietly explore free trade, but that they would wait until they met in June to make any public statements.[43] With the strong personal commitment of the two presidents, the administration quickly accepted the Mexican proposal. As Serra's remark about "antibodies" indicates, the Mexicans were concerned that opposition to the negotiations would quickly mobilize in Mexico and the United States. When Bush and Salinas talked in February, they agreed to lay significant groundwork for the agreement before making it public. Secrecy lasted only a month before word leaked to the *Wall Street Journal*.

The leak was followed by more infelicitous news. Mexican doctor Humberto Álvarez Machaín, suspected of involvement in the torture and killing of U.S. Drug Enforcement agent Enrique Camarena, was kidnapped from Mexico and deposited in the United States to stand trial. In other times, the two events might have halted any talks. While the Mexican government condemned the kidnapping, it did not let the brazen act sour the overall relationship or derail the preliminary talks. Salinas set about convincing the PRI, business leaders, and the public that an FTA with the United States was the best course for the country's future – something they had rejected in October. The Mexican cabinet set up forums across the country, and Salinas traveled the country to advocate the policy. Initially, several large unions opposed the idea. However, the PRI's control over labor remained tight. Nearly all of Mexican labor was led for decades by one man, Fidel Velázquez, head of the Confederación de Trabajadores Mexicanos, which was closely linked to PRI. Once Velázquez was brought on board, labor ceased to be an obstacle.

In September 1990, SECOFI decided to create a forum for consultation with Mexican industry, called Coordinadora de Organismos de Comercio Exterior (COECE), headed by influential businessman Guillermo Güemez. COECE served four main purposes. First, it was an important source of information for Mexican negotiators about what specific Mexican industries needed in terms of market access and transition time to a more open economy. Second, the group got business leaders to buy into the FTA and turned many into advocates. Third, the businessmen used their networks in the United States to help convince U.S.

43 "Telephone conversation with President Salinas de Gortari of Mexico," March 8, 1990, GBPL.

counterparts to support NAFTA. Last, members of COECE later traveled to negotiations, garnering the nickname of "the side room," or *el cuarto de al lado*. There, they provided information, opinions, and a visible constraint on Mexican positions. With Mexican labor and business both supportive, approval from the PRI-dominated Mexican Senate to seek the agreement was a formality. The Senate concluded its brief debate and recommended on May 21, 1990, that Mexico seek a trade agreement – months before Bush presented his own notification to the U.S. Congress.

Mexico's leaders initially wanted to include Canada in the negotiations – and briefly considered requesting admission to the already signed U.S.–Canada pact instead of starting new negotiations.[44] Some in SECOFI hoped that by making the negotiations trilateral, they could blunt domestic criticism that the pact represented a capitulation to the United States. They also hoped to learn from the Canadian experience. In May 1990, Serra met with his Canadian counterpart John Crosbie and told him that Canada would have a seat at the table if it wished. Initially, Crosbie rebuffed the offer. The U.S.–Canada pact had been a contentious issue in the recently completed Canadian elections, and the Canadian government hoped to avoid a politically costly repeat. In addition, the Canadians had mixed feelings about helping Mexico achieve an FTA with the United States and sharing their advantageous access to the U.S. market. However, just weeks after Serra's visit to Montreal, Canada suddenly changed its stance. A SECOFI memo 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."[45] Canada's about-face triggered an argument over the costs and benefits of including Canada. Serra was skeptical. Figuring that the Canadians might now want to join just to act as spoilers, Mexico opposed expanding the talks. SECOFI argued: "Canada already has its agreement; therefore, the cost of failure in the FTA is much less (almost zero) than for Mexico. This means that Canada could be inflexible regarding Mexican interests."[46] SECOFI argued that the U.S.–Mexico agreement should be completed first, and then the three countries could look to create a free trade area based on the two bilateral agreements.[47] On September 25, 1990, Bush noted to Salinas that "The Canadians came on like a ton of bricks on this thing, but

44 Bush told Salinas in their March 1990 conversation that it would be better to have bilateral negotiations because of political complications in Canada. Mulroney visited Mexico City the week after the Bush–Salinas phone conversation, and Bush suggested that Salinas sound out the Canadian position.

45 SECOFI, "ATC," May 30, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.

46 Ibid.

47 Mexico adopted this argument starting in September 1990 when Canada confirmed its interest in joining trilateral talks. SECOFI, "Canada y el ABC," January 23, 1991, SECOFI, Subsecretaría de Comercio Exterior, n.p.

late." While the United States would "consult" with Canada, it was willing to proceed to bilateral discussions with Mexico "if these consultations [with the Canadians] get complicated." Baker agreed that trilateral negotiations would be unduly complex. Mexico, Salinas insisted, preferred the bilateral track.

SECOFI pressed USTR to formally notify Congress, hoping the announcement would coincide with Salinas' trip to Washington in mid June 1990. Notification would start a period of sixty legislative days for hearings and comment before talks could begin. USTR maintained it would not be ready at least until December.[48] Despite Bush's embrace of the idea, USTR's attention to GATT and the disagreement over whether Canada would participate kept the talks from beginning as quickly as the Mexican team would have liked. When the two presidents met for a private dinner on June 10, they agreed in principle to seek an FTA and ordered Hills and Serra to study the possibility and return with recommendations.[49] USTR and SECOFI had, of course, been studying the agreement for some time, and the decision to proceed had already been made. The presidents' announcement bought time for preparations and consultations at USTR's request. The White House, along with Baker, pressed USTR to speed the start of negotiations in deference to Mexico. Serra and Hills returned their recommendations in early August that an FTA would be beneficial. After receiving a formal letter from Salinas requesting trade talks, Bush notified Congress in late September that he would seek extension of fast-track negotiating authority for both the Uruguay Round and the trade talks with Mexico. Bush emphasized both the economic and the foreign relations rationales for the agreement in a letter to Salinas:

> I share your conviction that such an agreement would provide an historic opportunity to expand trade and investment, thereby contributing to sustained economic growth and greater economic prosperity for our peoples. This would be an important milestone in further enhancing our relationship and meeting the new challenges and opportunities posed by the sweeping changes occurring throughout the globe.[50]

The question of Canadian participation remained. In January 1991, Prime Minister Brian Mulroney appealed directly to Bush, who preferred to accommodate Canadian wishes. With Bush pressing for Canadian inclusion, Serra backed down. Before doing so, he obtained a letter signed by all three sides stating that if one party became an obstacle to the completion of the talks, the other two would be free to continue bilateral negotiations. Serra later said: "That is a letter that I pushed for, because for a moment I thought the

48 SECOFI, "Estado de las pláticas del ABC," June 4, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.

49 Clyde Farnsworth, "Free-trade talks seen with Mexico," *New York Times*, June 11, 1990, p. D1.

50 George Bush to Carlos Salinas, letter, September 25, 1990, in "Informe de los trabajos del TLC," SECOFI, Subsecretaría de Comercio Exterior, annex 2.

Canadians were going to be party poopers. But they weren't."[51] Serra wrote his Canadian counterpart:

> "The Canada–U.S. Free Trade Agreement will not be used as a means to frustrate that objective or delay the conclusion of a North American free trade agreement responsive to the needs and aspiration of all three Parties; nor are the trilateral negotiations intended as a means to renegotiate the provisions of the Canada-United States Free Trade Agreement."[52]

Salinas and Bush were both personally involved in launching the negotiations, and they shared concerns that Canadian participation could slow negotiations. The two presidents' commitment marked the initiation of negotiations and would be crucial when the talks got stuck. Bush privately told Salinas: "I want this Free Trade Agreement to be one of the major accomplishments of your and my presidencies. You've got my personal commitment to the success of the negotiation."[53]

**Lobbying: Redefining Nonintervention**

In the early 1990s, Mexico's economic team boasted sterling academic credentials but very little experience in international trade negotiations. This lack of firsthand experience was a legacy of Mexico's decades of relative separation from the world economy, and it meant the Salinas government faced a steep learning curve. Though many key policymakers had studied in the United States, several were slow to understand the depth of the U.S. Congress' involvement and the potential for hostility. Mexico traditionally proclaimed an aversion to foreign interference in domestic politics, and the Foreign Ministry avoided close involvement in other countries' political processes, particularly with the United States. Mexico typically followed formal diplomatic channels, eschewing direct contacts with the White House. It was even less engaged with the U.S. Congress. Unlike many other countries, Mexico had not maintained a staff of lobbyists – or even a congressional liaison office in its embassy.

Mexico dramatically altered these behaviors in pursuit of a trade agreement. It was quickly clear that the fate of the FTA could be decided before negotiations with USTR began. In order to effectively negotiate a trade agreement with Mexico and to continue the Uruguay Round, Bush needed an extension of fast-track negotiating authority from Congress. There was little opposition to the ongoing GATT talks; however, the notion of free trade with Mexico spurred resistance from some labor and environmental groups. Mexican leaders

51 Serra Puche, interview with the author.

52 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.

53 Bush, "Telephone conversation with President Carlos Salinas de Gortari of Mexico," February 5, 1991, GBPL. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1991-02-05-Salinas.pdf.

worried that labor's Congressional allies would split fast-track approval into two votes, one for Mexico and the other for GATT. Passage of fast-track for multilateral talks coupled with a denial for Mexico would be an intense political blow for Salinas – an approval of free trade but an explicit rejection of Salinas' gamble for closer ties to the U.S. economy.

A second factor led Mexico to adopt a different approach regarding the U.S. Congress. Salinas tapped SECOFI as the secretariat directly responsible for trade negotiations, largely sidelining the Foreign Ministry and Secretary Fernando Solana from the discussion. A more traditional Mexican diplomat, Solana was more skeptical of such close ties with the United States. Solana was rarely included in meetings of the economic cabinet, where key decisions about the negotiations were made. The Foreign Ministry was further marginalized from the trade talks because Salinas had named Gustavo Petricioli, an economist and former finance secretary, as ambassador to the United States. According to an official who worked with Petricioli during the NAFTA negotiations, on trade matters the embassy reported to SECOFI and not the Foreign Ministry.[54]

SECOFI recommended hiring lobbyists and legal advisors in the United States as early as June 1990, shortly after Salinas' meeting with Bush.[55] Based on studies of the U.S.–Canadian trade negotiations and fast-track procedures, SECOFI recognized fast-track was a "fundamental piece of achieving approval of the final agreement." At first, SECOFI planned to coordinate with the Mexican embassy in Washington to hire a legal advisor and a lobbying firm. As the fast-track debate unfolded, SECOFI created its own office in Washington to direct lobbying efforts. Announced on September 5, 1990, it was led by Herman von Bertrab, a former Jesuit professor of Herminio Blanco, Mexico's chief negotiator and Serra Puche's key deputy. Von Bertrab wrote that individuals at Washington think tanks advised the Mexican team that it was customary and important for foreign countries to hire lobbyists to deal with the U.S. government. Eventually, the Washington office would hire five lobbying firms, several legal advisors, and a number of public relations consultants. Von Bertrab wrote: "If lobbyists did not exist, we would have had to invent them, for we could not participate in a game without understanding its rules."[56] One of the first people the Mexican government hired was Robert Herzstein, an influential Washington lawyer and former undersecretary in the Department of Commerce. From the outset, Herzstein advised the Mexican team that their negotiations would be not just with USTR but with 535 members of Congress. "They took that to heart," he said.[57]

54 Manuel Suárez-Mier, interview with the author, April 6, 2012, Washington, D.C.

55 SECOFI, "ABC estrategia," June 25, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.

56 Hermann von Bertrab, *Negotiating NAFTA: A Mexican Envoy's Account* (Westport, Conn.: Praeger, 1997), p. 15.

57 Robert E. Herzstein, interview with the author, April 16, 2012, Washington, D.C.

USTR's frequent and early references to Congress as a source of delays and as a constraint on the U.S. position further focused SECOFI's attention on legislators.[58] Mexican leaders saw maintaining a single fast-track vote as a top priority, with high political costs for failure. The bureaucratic players mostly likely to oppose the new strategy were not at the table. There was little room for serious dissent in Mexico's political system after the decision was made – though there was some criticism in the Mexican press over the spending for and role of foreign lobbyists. Mexican deputy negotiator Jaime Zabludovsky noted that the slower start to fast-track proceedings and negotiations was a disguised blessing for the Mexican team, which was eager, but in truth, not prepared to begin negotiations in 1990.[59] In February 1991, Serra and von Bertrab visited influential Democratic Representative Bill Richardson, who warned them that as things stood, they were in real danger of losing the fast-track vote. Mexico stepped up its visits to Congress, tried to mobilize sympathetic business interests, hosted Congressional delegations to Mexico, and sought support from the Hispanic community.[60] This represented a significant change in how the Mexican government had related with its citizens in the United States. Mexico had eschewed any sort of attempts to organize emigrants: it would violate its foreign policy tenet of nonintervention, and it was not clear how the migrants saw the PRI.[61]

In another first, the Mexican government launched a U.S. public relations campaign. The debate on trade was peppered with uncomplimentary images of Mexico as a country of poverty, corruption, drugs, violence, and hordes of unskilled laborers. Mexico approached this on two fronts. The Mexican government organized a "road show" in which Mexican officials traveled across the United States to make public presentations on the benefits of the trade agreement, sometimes in conjunction with U.S. officials, including Treasury Secretary Mosbacher. More broadly, Mexico launched an effort to present Mexican history and culture, with museum exhibits and events in thirty-one key U.S. media markets.[62]

### *On the Fast Track*

The level of Mexican participation in U.S. domestic politics would have been hard to fathom just a few years earlier. Lobbying from Mexico, the Bush administration, and business allies improved fast-track's prospects in Congress. Both governments sought to placate Congressional concerns on labor and the

58 USTR stressed that it needed to complete consultations with Congress before sending formal notification. SECOFI, "ABC estrategia," June 25, 1990, SECOFI, Subsecretaría de Comercio Exterior, n.p.

59 Jaime Zabludovsky, interview with the author, May 14, 2012, Mexico City, Mexico.

60 von Bertrab, *Negotiating NAFTA*, p. 13.

61 Alexandra Delano, *Mexico and Its Diaspora in the United States: Policies of Emigration since 1848* (New York: Cambridge University Press, 2011), Chapter 4.

62 von Bertrab, *Negotiating NAFTA*, p. 25.

environment by providing plans and assurances to influential members such as Illinois Representative Dan Rostenkowski and Missouri Senator Richard Gephardt. The fast-track process put the Mexican government in close cooperation with USTR and other parts of the administration – even though they would soon be across the negotiating table. A SECOFI analysis advised that until fast-track authority was approved:

> The lobbying program will take particular care to closely coordinate everything with the Bush administration. In particular, all the meetings or discussions with U.S. Congress people will take place in close contact with USTR to maintain a coordinated, univocal message, and to avoid exaggerating the Mexican presence in the U.S. Congress.[63]

In early April, as Congress prepared for the vote, Salinas and Bush again met in Houston to promote the FTA. Salinas was also there to support Mexico's public relations and lobbying campaign, making a seven-city tour through the United States to press for fast-track approval.

While the focus before negotiations was primarily economic, sectors of the Mexican government recognized the negotiation's importance to U.S. foreign policy. Serra said he tried to limit the negotiations to economic questions, but they unfolded in a political context. Mexico emphasized the negotiations' importance to U.S. national interests when threats surfaced. The Mexican government knew Mexico's stability was of paramount importance to the United States, and that it was salient to the cohort of Texans in the White House. In preparation for the Salinas–Bush meeting, Mexico made clear the immense importance of the fast-track vote and implicitly linked the negotiations to bilateral relations:

> It would be convenient to take advantage of the meeting [between Salinas and Bush] to reiterate how much is at risk in this process. 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 de-authorization of the negotiation with Mexico.[64]

It has been argued that before NAFTA, Mexico opposed linkages between different issues on the bilateral agenda, out of concern that this would weaken its position. A number of authors have argued that Mexico's more recent acceptance of linkage is a result of NAFTA.[65] In fact, during the earliest stages of

[63] "Informe de los trabajos del TLC," March 27, 1991, SECOFI, Subsecretaría de Comercio Exterior.

[64] Ibid.

[65] For a general argument, see Miles Kahler, *Liberalization and Foreign Policy* (New York: Columbia University Press, 1997). On the link between NAFTA and Mexico's approach to migration, see Delano, *Mexico and Its Diaspora in the United States*.

NAFTA negotiations, Mexican officials saw the connections between enhanced trade relations and other foreign policy issues and sought to use them to their advantage.

The Mexican team argued that Mexico had made major, recent improvements to environmental and labor legislation. It tried to combat critics, who noted that Mexico's legislation was fine on paper, but laxly enforced. With an eye on the negotiations, Mexico stepped up inspections and prosecutions of environmental violations and addressed problems that affected U.S. border cities. Mexico convinced Gephardt, who drew his support from labor, to back the fast-track extension. Gephardt's lukewarm approval provided cover for other Democrats. In late May 1991, the House and Senate re-authorized Bush's fast-track authority for North American negotiations and the ongoing Uruguay Round, without adding any specific environmental or labor riders.[66] More than a year after Salinas phoned Bush with the proposal, talks to form a North American free trade area could begin in earnest.

### Negotiations: Mexico's Goals and Strategy

As the fast-track debate came to an end, the Mexican team – lead by Serra Puche, Zabludovsky, and Blanco – began to enunciate its opening negotiating positions while also considering how to strategically cede ground. Many in Mexico, including supporters, argued that the developing country should receive special consideration. However, the overriding goal for Mexican policy makers was to secure access to the U.S. market. The United States and Canada would not concede an across-the-board transition period for Mexican producers without extraordinary protections for key U.S. and Canadian goods – what the Mexican team termed "excessive compensation."[67] The Mexican team rarely worried about the agreement going too far in lowering tariffs – though they wanted to exclude labor, environmental, and political matters.[68]

The Mexican team was extremely optimistic about how quickly an agreement could be concluded. This stemmed in part from a lack of experience, but also because they were willing to use the Canada–U.S. Free Trade Agreement (CUSFTA) as a base. In mid June 1991, they expected an agreement could be ready by January 1992, or even earlier. The Mexican team was attentive to the U.S. electoral calendar. The fast-track debate had vividly illustrated that the negotiations could ignite a political firestorm. Nonetheless, President Bush

[66] On labor and environment, the House passed nonbinding resolutions, noting the importance of the topics, but they had no legal force. Cameron and Tomlin, *The Making of NAFTA*, p. 76, Salinas de Gortari, *México*, pp. 104–105.

[67] "Aranceles," draft, June 7, 1991, SECOFI, Subsecretaría de Comercio Exterior, p. 1.

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

was enjoying sky-high approval ratings in the wake of the Gulf War; it did not appear the trade debate would pose a serious threat. As negotiations got under way, problems became more evident. However, the Mexican negotiators often said they believed the remaining differences could be resolved quickly, with Zabludovsky noting that for months he thought each major meeting could be the final one. Their initial optimism befuddled Americans Jules Katz and Chip Roh. Cameron and Tomlin note: "Incredibly, on some issues the Mexicans were acting, at least in the American view, as though they were actually on the verge of a deal, when in fact the two parties remained far apart."[69]

One of Mexico's top priorities was to secure access to the United States (and Canada to a much lesser degree) for fruit and vegetable exports. U.S. tariffs on Mexican goods were generally low, but this was not the case for many agricultural products in which Mexico directly competed with U.S. growers. Tariffs were not the only issue. Mexican produce was sometimes prohibited from entering the United States at all, or suffered from what Mexicans saw as arbitrary health and sanitary restrictions. When prices on some products fell, Mexican products could be excluded under U.S. laws meant to "safeguard" U.S. agriculture from influxes of imports. A SECOFI position paper stated: "Mexico will seek the immediate drawdown of tariff barriers that affect its [agricultural] exports."[70] Mexican negotiators realized this position was inconsistent with their own protections for corn and beans, crops that were dominated by small producers who lacked the scale, technology, capital, and in many cases, the favorable environmental conditions of U.S. farmers. The Mexican team knew how politically and socially dangerous reforming agriculture would be, noting that more than two million Mexicans relied on corn production.[71] Serra Puche believed that the Mexican countryside was in desperate need of reform and that eventually Mexican *campesinos* would have to face global market prices. The reforms would require the PRI to roll back what many saw as gains of the Mexican revolution. "It had a huge ideological background behind it and not much economic rationality," Serra Puche said. "We had already started [eliminating] the *precios de garantia* and the *ejidos*.[72] It was necessary for the countryside in Mexico."[73] Necessity did not make the process easy.

Despite prior changes to domestic policy, Mexico was slow to make internal decisions about how to approach corn in the talks. This indecision slowed the progress of the agricultural group, where the United States pressed for broad access. The Mexican team realized that requesting special treatment for

69 Cameron and Tomlin, *The Making of NAFTA*, pp. 95–96.

70 "Aranceles," draft, June 7, 1991, SECOFI, Subsecretaría de Comercio Exterior, p. 27.

71 Ibid., p. 22.

72 *Campesinos* is often translated as peasants; it refers to rural agricultural workers. The *ejidos* is a system of common land ownership and management granted largely in Mexican indigenous communities. *Precios de garantía* was a system of minimum prices and prices supports that supported small production in Mexico.

73 Serra Puche, interview with the author.

corn would undermine its arguments for other products. Any significant action on agriculture would require the direct involvement of President Salinas. On September 4, 1991, Serra Puche made his case to Salinas in an economic cabinet meeting "that if we refused to open up to corn imports, the U.S. would refuse to open up its horticultural products." Other cabinet members noted the potential for "tremendous social upheaval" if the PRI tried to rapidly change the Mexican countryside. Salinas pressed the cabinet for forms of social support that could be compatible with trade liberalization and economic modernization.[74]

For manufactured goods, Mexico wanted to move beyond the GSP to encourage investment. The United States and Canada worried about third-country companies using Mexico as a tariff-free export platform. The Mexican industrialists represented in COECE largely favored replicating CUSFTA's rules-of-origin content requirement that 50 percent of a product's value had to originate within the region to earn tariff-free status. In most industries, a 50-percent rule would not require substantial changes in manufacturing practices. A summary of a *gabinete económico* meeting from mid June 1991 concluded: "The establishment of integration requirements of less than 50 percent seems undesirable from the Mexican point of view, as they would not create incentives to invest in the country."[75] For automobiles, Mexico adopted a different stance. Initially, its producers – dominated by Ford and General Motors – wanted national content standards as high as 70 percent. This was even higher than the U.S.–Canada trade pact, and would benefit Mexican auto parts producers. Conversely, companies like Nissan, which had recently invested in Mexican production, requested lower requirements or long transition periods.[76]

In addition to setting goals, the Mexican team sought to identify what it would not give up and what it considered bargaining chips. Mexico had long controlled certain sectors through import permits, which the Mexican team had decided as early as July 1991 would be incompatible with an agreement that gave Mexico the market access it sought. In a draft position paper on tariffs, SECOFI officials noted: "In the FTA it is clear that the possibility of eliminating restrictions on our exports will largely depend on our own willingness to eliminate the system of advance permits in the sectors where there is an exporting interest for the U.S. and Canada (grains, dairy, some fruits, poultry, autos, pharmaceuticals, among others)."[77] Despite that realization, Mexican negotiators argued for months that the permitting system was needed in some sectors – primarily to trade it for later concessions.

Perhaps the most crucial area where Mexico held back in the hope of making trade-offs was in banking and financial services. The debt crisis of the

74 Salinas de Gortari, *México*, p. 116.

75 "Informe del GE del 17 de junio de 1991," June 17, 1991, SECOFI, Subsecretaría de Comercio Exterior, p. 15.

76 "Aranceles," draft, June 7, 1991, SECOFI, Subsecretaría de Comercio Exterior, p. 19.

77 Ibid., p. 7.

early 1980s prompted the Mexican government to nationalize the banking sector. The Salinas administration did not believe it could effectively enter the world economy with a government-controlled banking sector, so Salinas directed finance minister Pedro Aspe to privatize financial institutions early on. The troubled banking sector made access to capital expensive for Mexican businesses, making the Mexican team eager to reform banking. However, the newly privatized banks were weak and politically vulnerable, given that connected individuals had bought banks without the expectation of facing foreign competition. For SECOFI, the promise of broader benefits and U.S. concessions outweighed those concerns. The tariffs position paper continued:

> In financial services, the FTA represents an opportunity to receive important concessions in exchange for an opening that, under the right conditions, could generate substantial economic benefits, including in the short term. The cost of financial inputs, of great importance in the whole economy, could be substantially reduced as a result of the arrival of foreign institutions, without a major displacement of national ones . . . The FTA with Mexico in financial services has a great value to the United States, above all as a precedent for multilateral negotiations, to the point that the absence of substantial concessions in the topic would make the treaty unacceptable for the U.S.[78]

The approaches to agriculture and financial services illustrate the central tenet of the Mexican negotiating strategy. Serra Puche, Zabludovsky, and Blanco believed that Mexico independently needed to make most of the reforms that would be considered "concessions" in negotiations. The negotiations presented the advantage of receiving something in return for difficult reforms while also making them more politically palatable. A summary for the *gabinete económico* noted the widespread possibilities offered by an FTA: "The FTA creates a unique possibility to carry out wholesale trade liberalization both of ourselves and of our primary trading partner, which will create fundamental benefits for the country."[79] Mexico's position reflected a belief that economic liberalization was worth the costs, and that those costs could be reduced by including reforms as trade-offs in the FTA.

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. 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

[78] Ibid., p. 31.
[79] "Informe del GE del 17 de junio de 1991," June 17, 1991, SECOFI, Subsecretaría de Comercio Exterior, p. 13.

rejection of what many saw as excessive foreign control and exploitation of Mexican resources under the long reign of Porfirio Diaz. The nationalized oil industry was a major legacy of the PRI. 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 strengthen the hand of critics. During the prenegotiation phase, the United States had accepted Mexico's position, but during the June 12, 1991 meeting, Carla Hills insisted that "respecting the Mexican constitution, there was still room to discuss the topic in the FTA."[80] Given that energy had been a major point of debate in the U.S.–Canada deal, neither of the northern countries was ready to give Mexico a free pass. Though Mexico eventually acquiesced to having an energy group, it maintained a hard line on the energy issues on which the United States pressed it – guaranteed emergency supplies; foreign investment in production, distribution or sales; and no shared-risk contracts.[81] Oil was perhaps the only real deal breaker for Mexico, so long as the United States guaranteed market access, agreed to restrict protectionist responses, and was bound by an adequate dispute resolution mechanism.

Mexico's concerns about the strength of dispute resolution mechanisms were tied to its new conceptualization about how to approach relations with its powerful neighbor. Whereas Mexico had long tried to exclude U.S. influence from its politics or U.S. domination of its economy, the Salinas government decided that Mexico should instead bind the United States into institutional arrangements. Mexico's concern was not U.S. power, which was an undisputed fact, but the arbitrary use of that power. In trade issues, Mexico realized U.S. actions were often driven by domestic politics. The Mexican team took aim at U.S. anti-dumping laws or other measures that could undermine in practice the benefits it had gained at the negotiating table. U.S refusal to curtail these practices probably constituted the biggest threat to the negotiations from the Mexican perspective, as SECOFI officials noted in an update on the progress of talks:

> 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.[82]

80 "Informe de la reunión ministerial celebrada en Toronto, Canada," June 17, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–6.

81 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.

82 SECOFI, "Informe de los trabajos del TLC," July 22, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–38.

USTR insisted that Congress would not accept any change, and it refused to create a group dedicated to the matter. Negotiator Jules Katz publicly insisted in early July 1991 that the United States would not adjust its laws. Eventually, Hills and Katz agreed to table a group that included anti-dumping, along with subsidies and unfair trade practices. The group made little progress through 1991 due to "U.S. intransigence on discussing seriously the possibility of trilateral agreements." In response, Mexico toughened its positions in other groups, even where its industries privately said they preferred immediate liberalization.[83]

The Mexican negotiators viewed Carla Hills as tactical and patient, willing to move slowly in order to gain concessions. She and Katz were also balancing the FTA negotiations with the stop-and-go talks of the Uruguay Round. Mexico clearly wanted to move quickly, as did some in the U.S. government, such as James Baker, Robert Zoellick, and Brent Scowcroft. Ideally, they wanted Congressional approval well before the U.S. presidential elections.[84] USTR saw this as unlikely. USTR pressed for draft treaty texts that could be directly compared to drive the point home on how far apart the sides were. After a late October meeting in Zacatecas, the ministers declared that the stage of exchanging viewpoints was over, and they would create drafts of each treaty chapter by December 1991.[85]

When Bush invited Salinas to visit Camp David in mid December, the Mexican cabinet hoped to use the occasion to gain Bush's direct intervention. Mexican negotiators believed the delays were largely a function of USTR's strategizing or their preference for the Uruguay Round. SECOFI wrote: "It seems possible to conclude the negotiations during the first months of 1992 and to submit the text for Congressional approval before the elections, which demands a presidential mandate to USTR to give the FTA the necessary priority."[86] Baker also wanted to use the meeting to speed the talks and pressure his own team; U.S. negotiators had the sense that higher ups failed to grasp the distance separating the three parties.[87]

The two presidents came together for a friendly meeting on December 14. Bush stressed to his own officials that he and Salinas "want a NAFTA agreement and we want it as soon as possible." Bush noted that despite political pressure and criticism, "we will not move an inch back." Serra Puche remained optimistic that an agreement could be reached in six weeks, while Hills argued

83 SECOFI, "Informe GE 2a reunión ministerial," August 16, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–28; SECOFI, "Propuesta arancelaria," c. September 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–4.

84 SECOFI, "Informe de los trabajos," October 25, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–6.

85 Cameron and Tomlin, *The Making of NAFTA*, pp. xii, 95–96.

86 SECOFI, "Gabinete económico: Temas para la entrevista presidencial del 14 de diciembre de 1991," November 26, 1991, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–9.

87 Mayer, *Interpreting NAFTA*, p. 130.

she needed an agreement that Congress would approve. Each side laid out the key remaining problems as it saw them. For Mexico, these lay in agriculture, textiles, autos, and anti-dumping. President Bush brought up energy, which Mexico was still reluctant to discuss. Bush wondered why Mexico would not allow foreign-owned gas stations. Hills raised several other issues, like import permitting and foreign investment in financial services.[88] The Mexican team had privately decided it would dismantle most of the advance permitting system and allow significant investment in banking. However, Mexico held these concessions to strike bargains on the final deal. They promised Bush and Hills that they would narrow the list of exceptions.

At the end of December, the parties compiled the different texts to create a version where disagreements were in brackets. These were extensive. The bracketed text pushed the Mexican team to more clearly define its positions on energy, foreign investment, and financial services. Though much of the energy sector remained off the table, they expanded the allowable fields of petrochemicals where foreign investment would be constitutionally acceptable. Though they continued barring risk-sharing contracts, the Mexican team placed procurement for energy giants Pemex and the Comisión Federal de Electricidad on the agenda.

Mexico hoped the negotiations would gain steam following those concessions. As late as the January 14, 1992 meeting of the economic cabinet, Mexico hoped to conclude the FTA in February.[89] When Mexico reiterated its desired timeline in a January 28 meeting with Katz, it drew the consternation of the veteran negotiator, who argued that there had been almost no progress in recent months. Mexico was still postponing a final decision on corn, too, which led Katz to argue that "exceptions are exceptions." Any Mexican limitations on corn would lead to U.S limits on vulnerable agricultural products.[90] Removing the major exemptions would require concessions from Mexico, the least open economy. While they realized that, Mexican negotiators were hesitant to be the party giving in on point after point.

To jumpstart talks, the three sides scheduled a plenary session in Dallas. The heads of individual negotiating groups would bring their disagreements to the chief negotiators and ministers, who would try to settle as many as possible. The Mexican team exhibited new urgency, reflecting Salinas' desire to conclude the treaties with the supportive President Bush instead of taking his chances on the U.S. elections. Because the ratification calendar required months for public comment, debate, and lobbying, the treaties needed to be signed by March.

88 George Bush, qtd. in "Memorandum of conversation: Meeting with President Carlos Salinas of Mexico," December 14, 1991, GBPL. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1991-12-14-Salinas.pdf.

89 SECOFI, "Gabinete económico: Informe de los trabajos del TLC," January 14, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–36.

90 SECOFI, "Gabinete económico: Informe de los trabajos del TLC," January 28, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–9.

Their worry grew especially keen as Bush's approval ratings fell along with the weakening U.S. economy. Salinas pressured his team for advances. Before the Dallas meetings, chief negotiator Herminio Blanco sent instructions to each of the negotiating teams instructing them to be more flexible and conclude what they could.[91] The Mexican team was eager to show progress – ideally a concluded text – for another presidential meeting scheduled for February 27 in San Antonio.

The talks leapt ahead in the February 17–21 meetings, which the negotiators referred to as the "Dallas jamboree" for the free-wheeling style of bringing in a series of negotiating teams. Exhibiting this sense of urgency, Serra Puche and Blanco unveiled major concessions. Perhaps most significant, they agreed to remove the permitting and quota system on corn imports, replacing it with tariffs. These tariffs would be gradually phased out during implementation. This placed corn within the framework used in the rest of negotiations. Different products were sorted into categories labeled A, B, C, and eventually C+, designating how long the tariff phase-out would last. "A" products would be tariff free as soon as the agreement went into effect, while the C+ category would continue to enjoy some level of protection for over a decade. In financial services, the Mexican team opened its position to allow for U.S.-owned subsidiaries. The meeting succeeded in pushing many of the negotiating groups to remove brackets and near common texts, while highlighting the significant disagreements that remained. However, it fell well short of Mexico's goal of completing agreements for Salinas and Bush's meeting.

Bush used the meeting, held on the margins of a summit on counternarcotics cooperation, to restate his support for the agreement, telling Salinas, "I think it's good for the country and I think it's good politics." Both presidents wanted a broad agreement in order to distribute costs and benefits – that is, they would not solve disagreements by excluding those chapters from the final treaty. Salinas told Bush he thought it was possible to initial the agreements by March 12, allowing for them to be sent to the U.S. Congress before it recessed in August. The Mexican team's reading was that support in Congress was likely to wane as November neared. Serra and Salinas pushed for March completion. Mexico's haste was influenced by two other factors. First, the team hoped an agreement would spur interest in the Mexican economy, attracting investment and lowering bond yields. Second, if the U.S. team felt political pressure to move quickly, they might compromise on issues that were politically delicate for Salinas. In contrast, Hills pleaded for more time to consult with Congress and the private sector. After months of being relatively agreeable, the Canadians began insisting on protections for dairy and poultry,[92] threatening to pull out

[91] Cameron and Tomlin, *The Making of NAFTA*, p. 107.

[92] Canadian reticence on these products had much to do with their importance in politically restive Quebec. "Memorandum of conversation: Breakfast meeting with Carlos Salinas, President of Mexico," February 27, 1992, GBPL. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1992-02-27-Salinas.pdf.

of talks on agriculture and textiles in favor of separate agreements. By June, frustration with the Canadians boiled over into a shouting match between Jules Katz and Canadian negotiator Michael Wilson about whether Canada truly wanted to be engaged in a trilateral negotiation.[93]

After the meeting with Bush and Hills, it was clear that the agreements would not be initialed in mid March. From the Mexican perspective, seven of the ten negotiating groups were essentially concluded, with SECOFI reporting to the cabinet that they could be completed in a day of negotiation. Government procurement, energy, and investment remained more troublesome. Having made a number of concessions, Mexico felt that the United States and Canada should show more flexibility. Córdoba Montoya planned a trip to the White House to ask supportive members of the Bush administration to press USTR.[94]

While the list of exceptions was gradually narrowed, the United States began pressing for a special, C+ category that would allow for a longer tariff phase-out on brooms, glass, shoes, and ceramics. This created an odd dynamic, in which the United States was asking Mexico for greater protections. Mexico accepted the extended category, but wanted to shorten the transition time, which U.S. negotiators initially placed at 15–20 years. In a meeting in Toronto, U.S. negotiators even proposed a C++ category. In exchange for the longer transition time, Mexico gained an extraordinary phase-out of its corn tariffs, starting from very high levels, along with a quota at the initiation of the agreement. Blanco insisted the United States reduce the number of items – particularly agricultural ones – in the C+ category to a maximum of ten. Mexico was prepared to increase its quota proposal on corn to 2.5–3 million tons during NAFTA's initial years in exchange for greater liberalization on its exports.[95]

Mexico arrived to each major meeting with the strong desire to make it the last. SECOFI noted with frustration: "Mexico arrived to the meeting of chief negotiators in Toronto prepared to conclude the majority of remaining topics, leaving three or four subjects to be closed by the secretaries at the last moment . . . However, the first day in Toronto, it was evident that the U.S. delegation did not share the Mexican mandate."[96] Meanwhile, Mexico's initial fears that Canada might play spoiler in the trilateral talks seemed to be vindicated, and the United States and Mexico for the first time threatened to drop

[93] SECOFI, "Acuerdo: Informe de los trabajos del TLC," June 8, 1992, SECOFI, Subsecretaría de Comercio Exterior, p. 21.
[94] SECOFI, "Acuerdo: Informe ministerial Montreal," April 10, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–2.
[95] SECOFI, "Reporte de la reunión ministerial bilateral," July 2, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1, 4–5.
[96] SECOFI, "Informe de los trabajos del TLC," May 25, 1992, SECOFI, Subsecretaría de Comercio Exterior, pp. 1–6.

Canada from the agreement. Increasingly, Mexico felt USTR's request for time for consultations was a negotiating ploy. "Everything indicates that [Katz's] strategy consists of not showing any hurry, denying the existence of dates or deadlines . . . At the same time, he has increased pressure on Mexico, demanding concessions that, supposedly, had been agreed upon as excluded and denying any flexibility to Mexican interests."[97] Katz pressed Mexico, telling Blanco it did not seem the Mexicans were prepared to conclude the negotiations. Blanco responded that they were, but that did not mean giving the United States everything it demanded.

The dynamic of negotiation began to change in July 1992, owing in large part to Bush's flagging political fortunes. Bush hoped to make a splash with the U.S. business community at the Republican National Convention to gain momentum in the campaign's final stretch. Bush and Salinas met in San Diego on July 14, attending the Major League Baseball All-Star Game, along with their ambassadors. Bush asked Salinas for the final time about including petroleum in the FTA. U.S. Ambassador Negroponte interjected that the Mexicans were quite sincere that including oil could make the whole deal politically unpalatable in Mexico. Salinas reiterated that he had said since 1990 that petroleum would be a "deal breaker." Afterward, the United States dropped broad demands on oil and sought focused concessions in petrochemicals and procurement to placate the U.S. oil industry and induce it to support the agreement in Congress. The major remaining disagreement on oil regarded whether Mexico would commit to supplying the United States in the event of another oil crisis. Salinas and Serra believed this implied a U.S. right to oil in the ground, an argument that made little sense to the Bush administration. Mexico stayed firm on keeping this out of the agreement, and eventually the United States accepted informal assurances that oil contracts would be honored.

With the Republican convention scheduled for August 17, the U.S. team now faced a time crunch. Bush wanted to sign the agreements before the election. However, U.S. law required a ninety-day public comment period after the conclusion of talks before the president could sign – to say nothing of Congressional ratification. That meant getting an agreement in the first days of August. Feeling economic pressures, Mexico was also eager to get a deal. In San Diego, Salinas told Bush: "The market expects that there will be an agreement, and that it will be finished and signed before the elections. We worry that if we give a number of signals to the market that this is not the case this would be very bad."[98] Both sides began to move more quickly. Mexico moved closer to the

97 SECOFI, "Reporte de la reunión entre HBM, JK, y JW," June 15–20, 1992, SECOFI, Subsecretaría de Comercio Exterior, p. 6.

98 "Memorandum of conversation: Meeting with Carlos Salinas, President of Mexico, July 14, 1992, GBPL. Available online: http://bushlibrary.tamu.edu/research/pdfs/memcons_telcons/1992–07–14–Salinas%20%5B1%5D.pdf.

U.S. and Canadian positions on rules of origin for the auto industry while also agreeing to dismantle parts of its complex laws governing the auto industry in Mexico. Salinas and Bush were increasingly engaged in the negotiations by late summer. Bush badly wanted to sign NAFTA. "The Americans were getting anxious. The Bush administration wanted the president to be able to sign an agreement before the presidential election in November 1992."[99] While Katz and Hills had often stated that the timeline would not dictate their agreements – Hills frequently insisted that the United States must have a "good agreement" and not a quick one – that posture weakened under presidential pressure.

On August 2, the three teams arrived at Washington's Watergate Hotel. The Mexicans and Americans were determined to finish the FTA if at all possible. The remaining disagreements centered on government procurement and dispute resolution. Though many of the chapters were nearly resolved, the meetings became a marathon as the Canadian and Mexican teams sensed an opportunity to gain concessions. As Cameron and Tomlin conclude: "Our analysis of the negotiations process at the Watergate makes it clear that U.S. negotiators felt the presidential pressure to get agreement, that their Mexican and Canadian counterparts were aware of it, and that negotiating strategies were changed accordingly." Mexico, which had been ready to give broad access to Pemex's sizable procurement budget, sought to reserve some of it for Mexican firms. Canada held firm on the cultural exemptions it had gained in CUSFTA, though the United States had hoped to set a North American precedent that it could take to the GATT. Serra Puche had insisted that no part of the agreement should be considered closed until the entire deal was finished, and he tried to use that to improve Mexico's position.

The Mexicans remained concerned that weak dispute settlement mechanisms and a lack of protection from U.S. anti-dumping laws could undermine its market access gains. Early on, Mexico had proposed using CUSFTA as the model for NAFTA's dispute resolution mechanism. That chapter of CUSFTA established binational panels to hear disputes, instead of directing suits to national courts. While CUSFTA was a successful model in many other parts of the agreement, its dispute-resolution mechanisms had drawn considerable criticism from the U.S. Congress, and USTR stressed that it saw them as temporary.[100] The chapter in CUSFTA included a five-year sunset provision, to be superseded by a permanent arrangement. The Canadians saw CUSFTA's panels as beneficial and wanted to make them permanent, at least bilaterally. Both Canada and Mexico wanted strong mechanisms to curtail arbitrary U.S. protectionism – it was one of the few times the two countries teamed up. There was an additional complication from Mexico's *ley de amparo*, a constitutional provision that allowed Mexican citizens to challenge government decisions. The United

99 Cameron and Tomlin, *The Making of NAFTA*, p. 151.
100 Dispute resolution was handled in Chapter XVII on the CUSFTA.

States worried *amparo* could force trade disputes into Mexican courts, which it would not accept. Though Mexico had insisted it would not consider constitutional reforms during the negotiations – primarily to protect its energy sector – it offered major domestic legal changes to satisfy U.S. concerns. However, the issue stalled on the U.S.–Canadian dispute over the mechanism for implementing those changes, leading the Mexican team to privately call for a suspension of the Watergate meetings.[101] Cameron and Tomlin note: "[the Mexicans] did not want the gains they were making on other issues to be undone by failure on the part of the United States and Canada to reach agreement on Chapter Nineteen ['Review and dispute settlement in antidumping and countervailing duty matters']."[102]

The breakdown was the first time Mexico had moved so aggressively, and it came at a sensitive time for the Bush administration. With some reluctance, the U.S. team agreed to extend the CUSFTA dispute resolution mechanism with minor adjustments regarding implementation of legal changes in Mexico. The framework for dispute settlement is contained in Chapter XX, though important mechanisms are included in other chapters on investment disputes (Chapter XI), and unfair trade practices, including anti-dumping and subsidies (Chapter XIX). Chapter XX created a Free Trade Commission to oversee NAFTA's implementation, composed of members designated by the countries' Cabinet secretaries. Dispute resolution includes three stages: consultations, mediation through the commission, and finally a trinational arbitration panel, which could permit "retaliation through withdrawal of compensating benefit."[103]

Unfair trade practices had been crucial to the Mexican team from the beginning, when it pushed the question onto the agenda over U.S. objections. Mexico remained skeptical of U.S. positions on anti-dumping, "snapback" tariffs to protect against import surges, and the use of nontariff barriers. Von Bertrab later wrote: "From a foreign point of view, the United States enters trade agreements only when it retains the ability to carry a big stick if conditions run against its interests. Although no one had the power to take away the stick, it was at least possible to limit its arbitrary use."[104] The debate continued into the Watergate meetings, as USTR appealed to Congressional constraints. As the United States insisted, Chapter XVIII allows each country to maintain its own anti-dumping and countervailing duty laws. However, these laws

101 This was referred to as a special review mechanism. Though this was eventually included, it was done so under strict Canadian conditions. On dispute resolution mechanisms, see Cameron and Tomlin, *The Making of NAFTA*, pp. 47–49, 168–171; Georgina Kessel, *Lo Negociado del TLC: Un Análisis Económico sobre el Impacto Sectorial del Tratado Trilateral de Libre Comercio* (México: McGraw Hill, 1994), Chapter 10.

102 Cameron and Tomlin, *The Making of NAFTA*, p. 171.

103 Gilbert R. Winham, "Dispute Settlement in the NAFTA and the FTA," in *Assessing NAFTA: A Trinational Analysis*, eds. Steven Globerman and Michael Walker (Vancouver: Fraser Institute, 1993), pp. 256–260.

104 von Bertrab, *Negotiating NAFTA*, p. 69.

cannot be applied on a unilateral basis. As Canada insisted, the NAFTA chapter did not include a sunset provision. In many respects, this chapter extended CUSFTA's framework, including mandatory consultations on any changes to domestic trade laws and binational advisory panels in the event of conflict. The chapter required substantial changes in Mexican law, though the participants saw the changes as necessary to improve Mexico's trade and investment climate, noting: "The great majority of these changes were modifications that we planned to undertake anyway, but they had been postponed to have chips in the negotiations."[105]

Agreements on dispute resolution and unfair trade practices largely settled the disagreements between the United States and Mexico. However, the exhausted negotiators were growing bitter over sticking points between the United States and Canada over autos, textiles, and the Canadian cultural exemption. The United States, pressed by its powerful film and recording industries, wanted to eliminate the special exemption for Canadian cultural industries that had been granted in CUSFTA. USTR did not want to restate the precedent for future agreements, particularly GATT talks with the Europeans. Mexico did not fear U.S. media exports as deeply as the Canadians,[106] so the Mexican team was willing to allow Canada an exemption it did not get itself to complete the deal. At the Watergate, the United States and Canada went to the mat until President Bush decided, in conjunction with Hills, that he would not risk the agreement to break the exemption. Patience had been USTR's key weapon earlier in the negotiation, but now that the U.S. team felt presidential time pressures, Canada and Mexico made gains. Just after midnight on August 12, 1992, the three sides shook hands and completed the agreement.[107]

In its immediate, internal assessment of the talks, the Mexican team was extremely pleased. Mexico had gotten a broad agreement while maintaining its red lines on energy. Though the negotiators had not used divergent levels of development as a basis for negotiations, they felt Mexico had achieved substantial advantages through an immediate consolidation of the Generalized System of Preferences, which allowed Mexico access at lower tariff rates to the U.S. and Canadian markets than those two countries immediately received in Mexico. Mexico gained immediate, tariff-free access to the U.S. market for 84 percent of its nonpetroleum exports, while granting the same to 43 percent of imports from the United States. The Mexican negotiators argued the immediately lifted tariffs were on goods that Mexico needed as inputs – factory machinery or tractors. SECOFI concluded: "The consolidation of the

105 SECOFI, "Informe final de la negociación del TLC," August 17, 1992, SECOFI, Subsecretaría de Comercio Exterior, p. 32.

106 This was in part due to the language differences. Mexican negotiators also saw potential to cater to Spanish-speaking consumers in the United States.

107 Cameron and Tomlin, *The Making of NAFTA*, pp. 173–174.

GSP permitted a result that is highly asymmetrical in favor of Mexico."[108] While Mexico would open sensitive agricultural sectors, it would do so under a fifteen-year transitional period, slowly lifting tariffs and quotas.[109] In financial services, Mexico made significant concessions late in the negotiations; however, internal documents show that the Salinas government was prepared to make most of these at the beginning of the negotiations, but withheld them to make trade-offs. For Mexico, completion of the agreement outweighed particular concessions. The FTA signaled to the world that the Mexican economy was open for business.[110]

### Side Agreements: A Bitter Pill

The negotiations had taken much longer than the Mexicans had hoped, meaning that President Bush could not sign them before the election. Instead, on October 7, 1992, Bush, Salinas, and Mulroney stood behind their chief negotiators at a table in San Antonio as they initialed the documents.[111] The ceremony did not generate the political splash Bush and Salinas had hoped. The agreement would not go to the U.S. Congress during the current term, meaning Mexico and Canada needed to deal, at the least, with a new Congress. Bush's prospects were sinking along with the U.S. economy. The Mexicans began planning for the possibility of a new administration. In April 1992, Salinas privately said he was hopeful about getting candidate Bill Clinton's support, in part because organized labor hesitated in backing Clinton in the Democratic primaries.[112] After months of ambiguity, Clinton offered a clearer position in a speech on October 4 at North Carolina State University. Clinton argued that NAFTA alone was insufficient, but that he would support it if it were accompanied by side agreements on labor and the environment, as well as support for displaced American workers. Clinton hoped to have it both ways, getting the backing of the business community without losing support from unions and

108 SECOFI, "Informe final de la negociación del TLC," August 17, 1992, SECOFI, Subsecretaría de Comercio Exterior. Years later, Serra Puche noted, "The Americans and the Canadians opened much faster than we did, and so that is where we captured the asymmetry." Serra Puche, interview with the author.

109 NAFTA failed to make a dent in U.S. and Canadian agricultural subsidies, as they were unwilling to do so without corresponding changes from Europe in the GATT.

110 Mexico was not particularly happy to have granted a handful of agricultural exceptions to the United States, particularly in orange juice and sugar, but Serra Puche said those exports were not important enough to risk the agreement.

111 Though negotiations were completed August 12, the treaty texts still needed to undergo legal revision and translation, as noted in endnote 2, Cameron and Tomlin, *The Making of NAFTA*, pp. 248–289.

112 Salinas, conversation with Robert A. Pastor, "Memorandum of conversation," April 24, 1992, Mexico City. Robert A. Pastor personal papers.

environmental activists.[113] The Mexican response was tepid, reflecting a feeling that these issues had been addressed during the fast-track debate. They had no interest in dealing with them again – and even less in reopening negotiations when they were pleased with the final product.

On November 2, Clinton won a comfortable victory over Bush, though third-party candidate Ross Perot meant that Clinton finished well below 50 percent. The Democrats retained majorities in the House and Senate. After fast-track, the Mexican team had largely halted its lobbying and promotion of the agreement in the United States. It now needed to restart those efforts, while also convincing skeptics on Clinton's transition team. In Serra Puche's eyes, the exceptions advocated in Clinton's North Carolina speech originated with campaign staff members, namely Mickey Kantor and individuals who had come over from Richard Gephardt's union-backed primary campaign.[114]

The day after the election, Salinas called the president-elect to "urge him to move ahead with the ratification of the NAFTA, without any renegotiation of its provisions. "[115] In a show of concern, the Mexican ambassador flew to Little Rock to meet with the transition team. Later that month, Córdoba Montoya flew to Washington on a closely guarded mission to push the Clinton team to prepare for a fast ratification. The Mexican team was concerned that despite Clinton's stated support, the treaty could stagnate. From early on, it was clear Mexico would not enjoy the same sort of relationship it had with Bush. Gone was the personal chemistry between the two presidents. Clinton never viewed U.S.–Mexico relations in the same light as Bush and his team of Texans. The channels of communication between Mexico and the United States were more limited and formal. When word came in late December that Mickey Kantor would be named the USTR, Mexican officials feared the worst. Kantor was close to Clinton, having managed his campaign, but he was inexperienced with trade at a time when the U.S. trade agenda included NAFTA and the Uruguay Round. Kantor presented different challenges for Mexico than Carla Hills, a tough negotiator, but one who believed in the benefits of trade. Kantor was a political operator who "essentially looks at trade issues in terms of how many votes they could win in Congress or the next election," a *New York Times Magazine* profile noted.[116]

Salinas went to meet the president-elect personally in Texas, where Clinton restated that he would seek ratification with side agreements. Despite the intense skepticism of his negotiators, Salinas agreed in principle to open negotiations on the side issues. Salinas pressed Clinton and Bush to agree that Bush

113 George W. Grayson, *The North American Free Trade Agreement: Regional Community and the New World Order* (Lanham, Md.: University Press of America, 1995), pp. 109–136; Cameron and Tomlin, *The Making of NAFTA*, pp. 180–183.
114 Serra Puche, interview with the author.
115 Cameron and Tomlin, *The Making of NAFTA*, p. 182.
116 Keith Bradsher, "Mickey Kantor," *New York Times Magazine*, December 12, 1993.

should sign NAFTA before leaving office, which Bush did on December 17, 1992. Since NAFTA was negotiated under fast-track authority, if it was signed before June 1993, the agreement was guaranteed a floor vote in Congress within ninety days of its submission.[117] Salinas' gamble on the agreement was too great to risk letting it die, while it allowed Clinton to keep NAFTA under fast-track without adding his own signature. To try to limit any eventual side agreements, Salinas began mentioning other "side issues" Mexico might ask to add to the talks, such as a development investment fund. Salinas hinted that if labor and environment, which he saw as nontrade issues, were brought in, Mexico might try to insert migration in the negotiations. Salinas knew this was a political bombshell that even Bush had refused to touch, but he meant to signal that if the United States crossed Mexico's red lines, Mexico was prepared to do the same. In early meetings, Mexico set out three negatives: no reopening of the completed NAFTA text, no hidden protectionist measures, and no compromising Mexican sovereignty.[118]

Questioning the new administration's commitment to NAFTA's economic merits, Salinas and his subordinates argued quietly that delaying ratification had real consequences in Mexico. Salinas did not want a drawn-out ratification debate to creep into the PRI's candidate selection and election. Mexican officials intimated that the delay could be detrimental for Mexican stability, pushing the country toward economic stagnation, debt crisis, and political unrest. The looming prospect of instability at the southern border seemed to convince Clinton that he could not let the deal fail.[119] As Paul Krugman wrote at the time, "Mexico's government needs NAFTA, and the United States has a strong interest in helping that government."[120] Those concerns convinced Clinton he could not let NAFTA die, but they did not compel his administration to tackle NAFTA immediately. Though Kantor was quickly confirmed as USTR, the administration was slow to specify its positions on the side agreements. Coming off the intensive, White House attention that the negotiations had received under Bush, the relative inattention during the first months of the Clinton administration jolted Mexico. Herman von Bertrab, who coordinated Mexico's lobbying efforts wrote: "NAFTA was certainly not one of their priorities, and to our regret they would need time to establish a negotiating position . . . The Mexican team became nervous because of the delay in the further negotiations for NAFTA."[121] This concern was amplified when Kantor was unprepared

[117] For a helpful summary of fast-track law, see J.F. Hornbeck and William H. Cooper, "Trade Promotion Authority and the Role of Congress in Trade Policy," November 4, 2010, RL33743, (Washington, D.C.: Congressional Research Service, Library of Congress, 2010). Available online: http://fpc.state.gov/documents/organization/152034.pdf.

[118] Mayer, *Interpreting NAFTA*, pp. 168–169.

[119] Cameron and Tomlin, *The Making of NAFTA*, p. 182.

[120] Paul Krugman, "The Uncomfortable Truth about NAFTA: It's Foreign Policy, Stupid," *Foreign Affairs* 72, no. 5 (1993), p. 18.

[121] von Bertrab, *Negotiating NAFTA*, p. 82.

to establish the Clinton administration's opening position in his first meeting with Serra Puche and Canadian minister Wilson.[122] Serra Puche said Kantor was "not a very good counterpart for negotiations."[123] Salinas shared Serra's doubts throughout the side agreement talks.[124]

As the Clinton administration defined its positions, Labor Secretary Robert Reich became an outspoken advocate for a labor agreement "with teeth," which in practice meant trade sanctions and an independent secretariat. In a March 1993 meeting in Washington, Mexico and Canada immediately rejected the proposal. Frederick Mayer writes: "Kantor was convinced that the Mexicans wanted NAFTA badly enough to accept whatever the United States demanded and that Congressional approval would require side agreements strong enough to sell to Democrats like Gephardt. Strong enough meant sanctions."[125] Kantor was mistaken. Mexico, now often aligned with Canada, proved a tough negotiator. A month later, when the United States presented written draft side agreements, Canada and Mexico rejected them. With the United States insisting on sanctions, negotiations appeared stuck, leading White House chief of staff Leon Panetta to tell the *Washington Post* that NAFTA was "dead." The comment prompted an uproar from Mexico and supportive members of the U.S. Congress. Senator John Danforth and a host of cosigners pressed Clinton to move more quickly and to avoid side agreements that would "undermine the benefits."[126] Mexico insisted that it would only accept consultations on labor and environment, but would not permit intervention in its PRI-allied labor unions.

In June, the two sides began to soften their positions somewhat. Salinas feared that uncertainty about NAFTA was hurting the Mexican economy.[127] Mexico still opposed sanctions but could accept a system that levied fines for violations, and Canada seemed to agree. Both countries identified any possibility of sanctions as thinly disguised protectionism, which they feared the United States might use arbitrarily. USTR shifted its emphasis to the secretariat, which should independently apply international standards. Mexico wanted any secretariat only to monitor the enforcement of national laws. Negotiations on environment were less contentious, with Mexico and Canada showing more flexibility regarding the independence of trilateral environmental commissions.[128] A number of moderate environmental groups offered lukewarm backing for

122 Mayer, *Interpreting NAFTA*, p. 171.
123 Serra Puche, interview with the author.
124 Salinas de Gortari, *México*, p. 173.
125 Mayer, *Interpreting NAFTA*, pp. 183–184.
126 John Danforth et al., to Bill Clinton, letter, April 28, 1993, carpeta Documentos Tratado de Libre Comercio, Control de Gestión, Subsecretaría de Comercio Exterior, Secretaría de Economía de México, México, D.F.
127 Salinas de Gortari, *México*, p. 171.
128 Mayer, *Interpreting NAFTA*, p. 195.

the agreement, easing the pressure on the Clinton administration.[129] Unions remained strongly opposed, and that opposition threatened to translate to "no" votes in Congress.

By August, USTR realized that the opposition from Canada and Mexico to strong sanctions was not going to evaporate, no matter how badly Mexico wanted NAFTA. The parties began working on a face-saving solution that would ensure the United States could not utilize the side agreements for back-door protectionism, but would allow enough pro-union senators to vote for the agreement. The agreement nominally included sanctions, but made their application highly unlikely. First, a weak commission would observe the application of national laws, as Mexico wished. If those were not applied, fines could be applied after a lengthy process. Only if the violating country refused to pay the fines could sanctions be assessed. Kantor was glad to have sanctions nominally included; Mexico was satisfied they would never be used. Canada seemed to agree until new Prime Minister Kim Campbell publicly announced that any eventuality of sanctions was not acceptable. Grudgingly, Mexico and the United States granted Canada an exception, knowing that U.S. Congressional opponents really had their eyes on Mexico. Late on August 12, 1993, the three sides settled on the side agreements on environment and labor, one year after the close of the talks at the Watergate Hotel.

Mexico's key goal was to block any protectionist measures. Though skeptical about the side agreements, Serra Puche recognized the need to address U.S. political realities. He was pleased with the outcome of the negotiations: "The side agreements, paradoxically enough, I think we made complicated enough to avoid any protectionism."[130] The agreement on environment created a trilateral council of ministers and a public advisory committee to oversee implementation of the agreement. It also established rules for the creation of arbitration panels if a member showed a "persistent pattern of failure to effectively enforce an environmental law."[131] That panel could eventually assess fines, which would be used to improve environmental problems. Only if those were not paid and the problem was not addressed could punitive tariffs be used. The labor agreement established supranational organizations, including an international secretariat, but most of the responsibility was designated to nationally controlled offices. The agreement largely limits the various institutions' powers to consultation and exchange of information. Labor issues in nontrade-related industries are excluded from consideration. An amendment to the side agreements, pressed by Congressman Lloyd Bentsen to ensure Hispanic support, created a small development bank to fund health and environmental

129 Organizations including the World Wildlife Fund, Audubon Society, and Natural Resources Defense Council decided that, on balance, a more developed Mexico would pollute less.

130 Serra Puche, interview with the author.

131 Qtd. in Grayson, *The North American Free Trade Agreement*, p. 142.

community improvement projects on the U.S.–Mexico border.[132] Though some hailed the side agreements for bringing "new" issues into a trade discussion, the effect of the side agreements was mostly political. They provided Clinton cover to pursue Congressional ratification.[133]

### Engaging Congress: A Watershed

The fast-track debate drew the Mexican government further into U.S. domestic politics than it had ever gone. Trying to get NAFTA approved with a second, less enthusiastic, administration would pull Mexico in further. NAFTA, and Mexico itself, had been major issues in the U.S. presidential campaign because of anti-NAFTA crusader Ross Perot's candidacy. Relying largely on protectionist rhetoric and his substantial fortune, the technology entrepreneur won nearly 19 percent of the national vote – despite temporarily quitting the race over the summer. Perot argued NAFTA would create a "giant sucking sound" as U.S. employers headed for cheaper Mexico, and he was not hesitant about emphasizing Mexican poverty, desperation, corruption, and crime.[134] Even more eager to do so was far-right Republican Pat Buchanan. Both men commanded grassroots support, which they used to mobilize mass mailings to Congress opposing NAFTA. For the PRI, which had not entirely overcome its aversion to other countries' domestic politics, the intense scrutiny of the U.S. presidential campaign was uncomfortable. However, with ratification pending after years of discussions and negotiations, Mexico decided to double down on its lobbying strategy.

Mexico had partnered closely with USTR and President Bush during the fast-track debate to influence members of Congress. During the negotiations, USTR became an adversary. Now, the Mexican team needed to coordinate with a less friendly USTR to promote the agreement. Mexico had largely halted its lobbying activities throughout the negotiations. U.S. business had taken a wait-and-see approach to assess NAFTA's contents before throwing their weight behind it. NAFTA critics had taken no such break, and the forcefulness of Perot and Buchanan had sapped U.S. public support.

With the change of administration in the United States, Salinas replaced Ambassador Gustavo Petricioli with Jorge Montaño. Over four years, Petricioli had dramatically altered Mexico's diplomatic presence in the United States – including moving the embassy to a new building near the White House. He increased the size of the mission, establishing a congressional liaison office. In

[132] The bank remained a pet project for Bentsen when he moved into the Clinton administration as Treasury secretary.

[133] On the negotiation of the side agreements, see Cameron and Tomlin, *The Making of NAFTA,* Chapter 9.

[134] The other significant part of Perot's platform was a plan to eliminate the U.S. deficit with sharp budget cuts and tax increases. Grayson, *The North American Free Trade Agreement*, pp. 113–117.

addition to those changes, SECOFI had established an office to coordinate Mexico's newly hired Washington lobbyists, lawyers, and public relations firms.[135] Mexico's lobby effort included some of K Street's highest-priced talent, with a tab of some $30 million.[136] Salinas wrote: "In many occasions, our lobbyists guided us through the complicated paths of the U.S. legislative process. We did not have time to explore it on our own."[137] The Washington office served as a central point of contact during the ratification debate, though it was on a tight leash from Mexico City, where both Serra Puche and Salinas kept close tabs on likely vote counts in Congress.[138]

Mexico's lobbying strategy had several main components, with negotiator Herminio Blanco in residence in Washington for the debate's final chapter. On one side, Mexico utilized business contacts through COECE to help coordinate with U.S. corporate backers. Corporate coordinating organizations like USA*NAFTA helped ensure Republican backing. Mexico coordinated with White House special liaison William Daley to court reluctant Democrats.[139] Mexico attempted to organize Hispanics voters, particularly Mexican-Americans, who had not been deeply engaged in advocating U.S. foreign policy, into the Hispanic–American Alliance for Free Trade. Other Hispanic–American groups also spoke in support of the agreement. Mexico and its lobbyists gathered reams of information about potentially swayable members of Congress. They identified district-level groups and businesses that might support the agreement and urged them to contact their representatives. They invited members to take part in congressional trade delegations and visit Mexico.

The Clinton administration advanced several supportive arguments: that NAFTA would boost U.S. exports and competitiveness, lead to greater employment, reduce illegal immigration, create an economic bridge to Latin America, and spur completion of the GATT.[140] It largely fell to Daley and his deputy Rahm Emanuel to press individual members and round up votes. The two coordinated an extensive lobbying effort by Cabinet officials and business groups.[141] Nonetheless, anti-NAFTA calls and letters overwhelmed supportive messages to Congress. Attacks continued from the right (Buchanan) and the left (AFL-CIO, Sierra Club, and Ralph Nader). Perot released a polemical book in

135 On Mexico's lobbying efforts, see von Bertrab, *Negotiating NAFTA*; Grayson, *The North American Free Trade Agreement*, Chapter 7; Todd Eisenstadt, "The Rise of the Mexico Lobby in Washington: Even Further from God and Even Closer to the United States," in *Bridging the Border: Transforming Mexico–U.S. Relations*, eds. Rodolfo O. De la Garza and Jesús Velasco (Lanham, Md.: Rowman & Littlefield, 1997).

136 Mayer, *Interpreting NAFTA*, p. 236.

137 Salinas de Gortari, *México*, p. 94.

138 Serra Puche, interview with the author.

139 Serra Puche noted that he stayed in frequent contact with Daley.

140 Grayson, *The North American Free Trade Agreement*, pp. 168–169.

141 Ibid., p. 203.

August 1993, *Save Your Job, Save Our Country: Why NAFTA Must Be Stopped – Now!*, provoking a point-by-point rebuttal from the administration. Mexico had specifically hoped the side agreements would convince House Majority Leader Richard Gephardt, but he now denounced NAFTA and said he would oppose the agreements.

Clinton had been cautious for months, but shortly before the Congressional vote, the president threw himself into the fray. The White House coordinated several high-profile events to support ratification. Both Serra Puche and Clinton administration officials talked with Henry Kissinger, asking the former secretary of state to make the foreign policy argument for NAFTA. On an even bigger stage, Presidents Ford, Carter, and Bush joined Clinton as he signed the NAFTA side agreements. Vice President Al Gore said NAFTA "transcend[ed] ideology." Bush stressed the bipartisan nature of NAFTA, saluting members of his team who were on hand. Carter stressed the democratization of Latin America and said NAFTA was the "single most important factor" to advance democracy in Mexico. Ford stressed the negative consequences for Mexico if NAFTA was not ratified, including spurring a wave of illegal immigration. Ford said: "If you defeat NAFTA, you have to share the responsibility for increased immigration to the United States, where they want jobs that are presently being held by Americans. It's that cold-blooded and practical. And members of the House and Senate ought to understand that."[142] The administration circulated a supportive letter bearing the signatures of all living U.S. presidents. The White House set up a televised debate between Vice President Gore and critic-in-chief Ross Perot. Gore artfully dispatched the Texan billionaire, giving NAFTA a public boost one week before the Congressional vote and neutralizing Perot's threats to turn his supporters and funding against NAFTA supporters. Clinton took his time, but once the president made his move, he gave ratification his enthusiastic backing.[143]

The administration relied on key supporters in each party to round up votes. Despite his strong dislike of Clinton, Republican Minority Whip Newt Gingrich supported NAFTA and pressed his own party for votes. Texas Democrat Lloyd Bentsen had been an important supporter from the first, and served as a contact for the Mexican team. Bentsen worked to convince skeptics in his own party and from border states of NAFTA's merits. Democratic Representative Bill Richardson served as a contact for the Mexicans and carefully counted Democratic votes. Meanwhile, Daley and Kantor made aggressive deals in Congress to address grievances and build support. From a Mexican point of

[142] "Remarks by President Clinton, President Bush, President Carter, President Ford, and Vice President Gore in signing of NAFTA side agreements," September 14, 1993, National Archives and Records Administration, Clinton Presidential Materials Project. Available online: http://clinton6.nara.gov/1993/09/1993-09-14-remarks-by-clinton-and-former-presidents-on-nafta.html.

[143] Grayson, *The North American Free Trade Agreement*, pp. 203–215.

view, the most frustrating were "understandings" that USTR pushed Mexico to accept. Kantor shored up the support of Floridians by offering greater protections for sugar and citrus. Serra Puche and his SECOFI colleagues were angered at being asked to cede market access they had negotiated a year earlier, and they feared these concessions might be the beginning of a series of "urgent" requests to win votes that would nibble away at Mexican exports. A call from Senator Bentsen helped convinced the Mexican team that the votes of nineteen members from Louisiana and Florida, and NAFTA's passage, might hang in the balance.[144] "Really, the final decision was, are we going to break this down because of sugar and oranges?" Serra Puche reflected. Nevertheless, these final adjustments were more sour than sweet for Mexico's negotiators.

On November 17, Salinas and Serra Puche watched live on C-Span to see the House pass the agreement 234 votes to 200. Mexicans had spent months making economic contingency plans for how to respond if the agreement were rejected. They could now relax. The vote garnered nearly a three-quarters majority of GOP representatives and four of ten Democrats. The Senate passed NAFTA 61 to 38 on November 20. In both chambers, members from southwestern border states were key supporters. The dealing drew intense criticism from treaty opponents, who highlighted some $2 billion of concessions and earmarks made in exchange for votes. Clinton and Salinas shared congratulations in a brief phone call. Between the House and Senate votes in the United States, the Mexican Senate opened debate on NAFTA on November 18. With the overwhelming PRI majority and the support of the business-minded PAN, the Mexican Senate passed the agreement on a 56 to 2 vote.

## Conclusions

While several scholars have noted the impact of NAFTA on later Mexican foreign policy, NAFTA itself is usually analyzed from an economic or international negotiations perspective. This chapter argues that NAFTA was also the result a profound recalculation of Mexican national interests, which affected the decision to pursue an FTA, the process of negotiations, and Mexican strategy on issues such as lobbying. Salinas defined Mexican goals in terms of guaranteed market access, foreign investment, limits on U.S. protectionist measures, and the exclusion of a handful of issues – primarily oil and PRI–labor relations. The Mexican decision reflected changing international conditions, a different perception of the United States, and domestic political and economic factors. The 1982 debt crisis convinced Mexico's leaders that the country's previous economic model had reached its limits. This prompted a move toward liberalization and to joining the GATT, but these decisions predated serious consideration of U.S.–Mexico free trade. Though President Miguel de la Madrid joined

[144] Salinas de Gortari, *México*, pp. 181–183.

the GATT, he considered a U.S.–Mexico FTA to be undesirable and politically impossible. Multilateral liberalization did not force de la Madrid to sacrifice the nationalist plank of PRI politics.

Salinas' recalculation of the Mexican national interest went deeper than de la Madrid's. It was broader than just economics. Salinas also responded to dramatic shifts in global politics, using NAFTA as a geopolitical and geoeconomic instrument to improve relations with the United States and position Mexico in the emerging post-Cold War environment. The Treaty of Maastricht shaped Salinas' view that the post-Cold War world would be defined by emerging regional blocs that were both political and economic in nature. Salinas argued that if Mexico were going to matter, it would need to achieve influence through interdependence and not just autonomy. This implied a reorientation not just of Mexico's economic policy, but also of its approach to international relations. Even before he decided to seek an FTA, Salinas already was pursuing a closer relationship with the United States. This intensified after attempts to build ties and draw investment from Europe and Japan fell short. His warm personal relationship with President Bush might have represented a liability for his predecessors, who over the past decade had tried to counter U.S. policy in Central America. Some of this change seems to be attributable to a generational shift in the PRI; new leaders saw the United States in a different light based on their experiences there. The leadership also believed that the reflexive impulse to isolate Mexico from the United States had outlived its usefulness. Nor had it stopped Mexico from becoming dependent on the United States, which was already Mexico's top trading partner, source of tourists, and destination for migrants. Decisions made unilaterally by U.S. officials on trade and other issues had major consequences for Mexicans, even though they had no seat at the table. Mexico's standoffishness in Washington had not stopped the U.S. government from what PRI traditionalists saw as meddling in Mexico's domestic affairs. Both the economic and the foreign policy models that had shaped Mexican policy for decades were failing to produce results.

This recalculation produced a new Mexican strategy. As an active participant in the world economy, and then in a regional free trade scheme, Mexico would have a voice in shaping rules and institutions. Given the predominance of the United States as an export market, the Salinas government decided that it could ill afford seemingly arbitrary U.S. decisions. It would be more advantageous to lock the United States into clear economic arrangements through an FTA. The objective explains why Mexico placed such heavy emphasis on achieving clear dispute resolution mechanisms, why it held out for clear rules to restrain anti-dumping measures, and why it fought hard against sanctions in the side agreements. For Mexico, the top priority was binding the United States into predictable arrangements. This recalculation governed the Mexican negotiating strategy, which was marked by a cooperative attitude instead of skepticism about U.S. goals. Mexico's decision to actively engage Congress and U.S. domestic politics was a significant departure, made even more surprising by the close coordination with the U.S. executive. Mexico's decision to lobby was seen as necessary to better understand what was happening in the U.S. Congress and advance its top priority there. Salinas' felt his gamble on the FTA was too big to leave Congress to chance. An FTA presented other advantages. It allowed Salinas to make a number of important reforms in one blow, which otherwise would have necessitated constitutional changes that required two-thirds approval from the Senate and Cámara de Diputados. NAFTA required only ratification by the Senate, which was friendlier to Salinas.

The U.S. interest in establishing a free trade area with Mexico was not particularly surprising and had been mentioned in vague terms by President Reagan and Vice President Bush. However, Mexico had previously rebuffed these mentions. The key change came in Mexico's decision to propose an agreement itself, which reversed the dynamic normally associated with U.S.–Latin American economic relations. Bush, Baker, and Mosbacher saw NAFTA as a way to promote stability and economic growth in Mexico, advance broad economic policy goals, and perhaps slowly advance democratization. When negotiations reached impasses, foreign policy goals triumphed over particular interests, even the preferences of the oil industry. Domestic political concerns were most visible at three moments. First, during the fast-track debate, various domestic groups wanted to divide the fast-track vote on Mexico from the GATT. However, the Bush administration was less concerned about environment and labor lobbies, and minimized their influence. Second, U.S. domestic politics conditioned the timeline of negotiations. Bush and Salinas made optimistic projections about how quickly talks could be completed to minimize the issue's salience in the U.S. campaign. Last, domestic politics clearly mattered in negotiations over side agreements and in seeking ratification. Clinton was highly attuned to striking a balance between labor, environment, and business to get the agreements through Congress. Domestic industry demands affected particular U.S. positions, but these were less important than foreign policy goals for both Bush and Clinton. There was a concern, frequently mentioned outside the negotiating table, that Mexico's stability would be undermined by failed negotiations. Mexican documents demonstrate that Mexico understood this U.S. concern and sought to reinforce it. Salinas and Bush discussed it directly, and it manifested itself in warnings from Gerald Ford and others that NAFTA's failure would provoke waves of millions of desperate immigrants.

Why did Mexico decide to involve itself so deeply in U.S. domestic affairs? Despite the decades-long tradition of noninvolvement, the answer seems fairly simple. Necessity was the mother of intervention. Once Salinas made the decision to break Mexico's and the PRI's traditional isolation from the United States, he needed his primary gambit to succeed. Salinas and Bush were on the same side of the fast-track debate, meaning their administrations would be working together. Without Congressional approval of trade promotion authority, NAFTA would not be negotiated. Mexico could stand by, as it traditionally had, while others debated the country's core interests in Washington, or it could join the debate. This was much easier for Salinas and his largely U.S.-educated team to accept than it was for some PRI traditionalists. However, the traditionalists had been bureaucratically sidelined. Having taken the step of seeking an FTA, rejection carried political risks too great for Salinas to leave to chance. Given the historical lack of direct political involvement – the ambassador had to establish a congressional liaison's office – the Mexican government did not have the contacts or know-how to create its own operation in the months available. Outsourcing these duties to U.S. lobbyists was not risk-free. Mexico's considerable spending drew criticism in Mexico and from U.S. treaty opponents. Given USTR's frequent references to Congress, Mexican negotiators soon realized that connections on the Hill were helpful for more than passing the agreement; Mexico needed "intelligence" about what was happening in Congress to make independent decisions about what concessions USTR actually needed to win Congressional votes and which were less crucial. In this way, Mexico tried to manage the United States' "two-level game."

Asymmetry mattered, but often not in the obvious sense. At times, Mexican negotiators felt the United States used the size of its market to bully them into concessions. However, Salinas also privately said, "The problem is that they [U.S. negotiators] treated us like equals, but we are not."[145] Mexican negotiators wanted asymmetry in development to be recognized, and Serra Puche argues that it was through gradual tariff reductions and GSP consolidation. Asymmetry was an implicit focus of the negotiations – particularly on dispute resolution. In the past, asymmetry had led to U.S. decisions on economic policy with outsize effects on Mexico, made without consultation. NAFTA was a way for Mexico to reduce the economic effects of asymmetry through institutions, rules, and interdependence.

Salinas' decision to pursue an FTA allowed for dramatic shifts in policy, even as U.S. interests were stable. Mexicans had previously shunned the suggestion, and without their decision there would have been no NAFTA. Even earlier, it was largely Mexican initiative that led to a changing climate for relations – though as the Camarena incident showed, this was not uniform. At the same time, the Bush administration exhibited great openness to Mexican proposals, particularly on trade and debt. During the negotiations, there was considerable overlap in goals between the United States and Mexico. Both Bush and Salinas had made strong, personal commitments to the success of the talks. Mexico's effort, at times bypassing USTR for consultations with Baker, Scowcroft, and Bush, helped ensure that NAFTA received equal or greater attention than the GATT talks. At the same time, Mexico made clear that it would not make large-scale transformations in its oil sector in order to secure agreement. Though the United States also had exceptions, Mexico's were almost certainly greater.

[145] Salinas, conversation with Robert A. Pastor, April 24, 1992, Mexico City. Robert A. Pastor personal papers.

It was obvious to Salinas – as was made clear by his close advisor Córdoba Montoya – that NAFTA would rewrite the rules for U.S.–Mexican relations just as it would for the Mexican economy. Though NAFTA created only weak institutions, it multiplied mechanisms for consultation across many levels of the three governments. The sweeping changes in bilateral relations that resulted from Mexican leaders' recalculation of national interests illustrate how the stance adopted by a Latin American state can be just as influential as the United States' orientation. Latin American leaders possess the ability to change the countries' relationship while pursuing their interests – though this is certainly easier when there is convergence. Beyond trade, Salinas showed more willingness to work with the United States on other issues, including as a mediator in the Central American conflicts and with Cuba. The legacy of NAFTA, unfortunately, is not that it catapulted Mexico into the first world. It is that it dramatically altered the way in which the United States and Mexico relate to one another, playing a major part in converting the two countries from "distant neighbors" to close partners.