

# Mexico's quest towards a new strategy for its economic insertion to Asia Pacific

(La búsqueda de México de una nueva estrategia para su inserción económica en Asia Pacífico)

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## **Abstract**

This article seeks to analyze the current processes of formal and informal economic integration occurring in the world and particularly in the Asia-Pacific region, this from a perspective that links these processes with Mexico's insertion policy to the big blocks and commercial areas such as NAFTA, EU or APEC. It is reviewed the current integration process in the Asia-Pacific region, or TPP, *vis a vis* the Mexico's insertion strategy as a participant. It is concluded that Mexico must redefine its insertion plan in Asia-Pacific, if it is constant

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the trade imbalance with Asia-Pacific it increases the risk that this new incursion into the last TPP's integration framework Asian, will only be one more failed attempt.

**Keywords:** trade blocks, integration, APEC, TPP, economy.

**JEL Classification:** F02, F13, F15.

## **Resumen**

En este artículo, se analiza el proceso actual de integración económica formal e informal que está ocurriendo en el mundo, particularmente en la región Asia-Pacífico, desde una perspectiva que vincula a ese proceso con la política de inserción de México en los grandes bloques y áreas comerciales, tipo TLCAN, UE o APEC. Se revisa el proceso actual de integración en la región de Asia Pacífico o TTP *vis a vis* la estrategia de inserción en tanto participante en la misma. Se concluye que México debe redefinir su plan de inserción en el Asia Pacífico, que muestra un constante desequilibrio comercial con dicha región, incrementando así el riesgo de que ésta nueva inserción al último esquema de integración asiático, termine siendo un intento fallido más.

**Palabras clave:** bloques comerciales, integración, TTP, APEC, economía.

**Clasificación JEL:** F02, F13, F15.

## **Introduction**

The 21<sup>st</sup> century is characterizing itself by an intensification of economic globalization, with more interactions that go beyond national borders. At the same time, regionalism has enjoyed a major boom, as an option towards integration and development through the correct use of the global context and the dealings that take place within it. Regions act as units on a variety of different levels and are defined, not just by geographic elements, but also by political, economic, social, institutional and environmental elements.

Today, different regional integration models can be observed, each with its own diverse structure that responds to the needs of an international system that was created during the last century. However, they also respond to the interests and internal aspirations of the leading members of this system. In this sense, there are models based on legal and formal institutions, such as the European Union (EU),

or those with a more open and flexible structure, such as Asia Pacific Economic Cooperation (APEC).

In Asia-Pacific (AP), despite not having strong institutions to back up a formal integration model, there has been a wide support to the interdependence that exists among the countries of the region, in terms of productivity, trade, investment, technology transfer, etc. This, in turn, has generated growth, that has led to better living conditions for the population in those countries.

The improvement of material conditions and the economic environment has made the AP region attractive for doing business. Its openness has been reflected in the conformation of regional fora for dialogue, which take advantage of economic interdependence in order to promote growth and trade liberalization.

However, changes and structural phenomena that are derived from globalization, such as systemic economic crises and the lack of progress by the multilateral trading system represented by the World Trade Organization (WTO), have provoked a change in the regional openness of the AP, towards a more institutional, closed, and contractual approach. This can be demonstrated by regional integration schemes, such as the Transpacific Partnership Agreement (TPP) that started its expansion process back in 2008, which ended in 2015, and has not entered into force since it was signed in 2016;<sup>1</sup> and the Regional Comprehensive Economic Partnership (RCEP), with ongoing negotiations since 2013.

By other hand, over the last three decades, Mexico has considered the trade and investment dynamics that have taken place in AP, even if marginally, as an element within its policy for trade diversification, in order to play a most active role in the world economy. However, Mexico's rapprochement with the AP region has not produced the desired results, much less given the country's success in penetrating the production, trade, and technological processes that take place within the region. This is due to a number of causes that range from the limited knowledge of the region, to the geographic distance; but most importantly, the lack of defining and justifying Mexico's place and role in that region.

Recently, Mexico has maintained relations with AP countries on a bilateral and multilateral basis, especially through diplomacy and trade agreements, of which the 2005 Mexico-Japan Economic Association Agreement and Mexico's own membership in APEC in 1993, are included.

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<sup>1</sup> TPP, once P4, began a process to expand its membership in 2008, with the announcement of the United States to join P4, and the subsequent launch of negotiations in 2010 and was signed in 2016, but has not completed the respective legislative processes by its members, which is necessary for entering into force.

The changes in the focus on regional integration in AP have been registered by Mexico, who took part in the TPP negotiations since 2012. However, this has yet to prove its possible contribution in reverting the trade balance deficit that Mexico has with some of the AP countries, and to increase the interest from those countries concerning Mexico.

For this paper, we have developed the following hypothesis: “Mexico still has opportunities to search for a new integrative insertion in the Asia Pacific region, only if, it takes advantage of the new scenarios of formal regional integration.”

There are a series of aims that this paper wishes to touch upon: a) to demonstrate the distinct definitions of region and regionalism in the 21<sup>st</sup> century, given their complexity; b) to describe the importance of institutions in the regional development of the AP and to identify the major institutional factors that should be taken into more consideration for an increasingly effective construction of an institutional framework ad hoc to regional development; c) to highlight the characteristics of some of the world’s integration models and determine which of them has had better results; d) to determine the extent of which the TPP—once entering into force—could be used as a factor to renovate the traditional process of integration in the AP; e) to analyze the reasons why, at least until now, the AP has been an improbable region for Mexico; f) to propose the best policies and strategies that Mexico could retry in order to insert itself successfully in the AP region.

The paper is structured in six sections; the first section discusses the subject of region and regionalism in the 21<sup>st</sup> century. The second describes the importance of the role that institutions play in the success of regional integration processes. The third, deals with the different integration models that exist in today’s world and the complications related to the chief models. The fourth section analyzes the new process of formal integration in the AP, the TPP. The fifth, discusses the feasibility of the AP region for Mexico, despite the adverse historical past. Finally, the last section of the paper raises a set of issues that must be taken into consideration in order to redesign a new strategy for Mexico in relation to the AP region. The paper also concludes with a series of general after thoughts about some of the main points that are discussed in this article.

## **I. Region and Regionalism in the 21<sup>st</sup> Century**

Although defined by globalization, mainly in the economic, as well as the social and cultural sphere, the 21<sup>st</sup> century has also been characterized by the importance of regions and regionalism. In the context of globalization, regions are converted to development units, the same of which can be identified on a local, supra, and

even a macro-regional level. Meanwhile, regionalism has become an alternate tendency that has gained notoriety by promoting development that takes advantage of opportunities on a global level, using the comparative and competitive advantages of each region.

From a geographic point of view, region is a term commonly used to define a territorial space, which limits the set of political, economic, social and cultural interactions that occur internally (González, 1996: 3-4). Similarly, development has been addressed from a perspective of economic growth, without considering sustainable and social elements that deal with the improvement of conditions in qualitative terms (Pike, 2006: 42).

According to Buzan, for the media, it is a place where something is happening. In terms of politics, it is a subunit of a State; while for the discipline of International Relations, it is something much bigger than a State. It is an international region composed of various States, which can be analyzed by three different criteria: common characteristics, interactions under a certain pattern, and shared perceptions (Buzan, 1998: 68).

For Velasco, region is defined as a unit that develops and declines as a whole, which is why it is important to consider the relation between it and other regions through a macro-economic analytical perspective (Velasco, 1991:119). It is necessary to consider the interaction between the binomial population-territory, which is the basic configuration of a region, besides the fact that a hyper-interaction would allow new forms of collaboration between municipalities, states and nations (González, 1996: 4).

Meanwhile, Boisier defines region as a complex and interactive structure of multiple limits, in which the content defines the container (Boisier, 1992: 3). From this point of view, it seems rather limited to solely stick with a geographic perspective to fully comprehend this matter. A sort of regional identity that brings together particular aspects of culture and values and makes the region stand out from others, but at the same time allows it to conserve its own distinct characteristics, must also be included. This regional identity is also formed by a combination of physical, psychological and behavioral elements that are generally politically constructed (Okawara and Katzenstein, 2001: 166).

The international context in which regions are located is seen as a world that is increasingly regionalized, and has material and symbolic dimensions that manifest themselves in patterns of behaviorist interdependence and political practice, which reflect the power and purpose of the States (Katzenstein, 2005: 43).

In this sense, derived from the previous definitions, it can be said that regions are units oriented towards development, composed by tangible and subjective

elements that are based on geographic, political, economic, cultural and environmental aspects, coupled with an internal and external perception that gives them a sense of distinction and belonging, and have multiple levels (Martinez, 2016: xx).

If regions represent units, then regionalism is the structural process that forms them. However, it is necessary to distinguish the difference between the terms of regionalization and regionalism. While the first refers to the increase in trade and human transactions in a determined geographical space, the second expresses a sense of identity and common destiny, mixed with institutions that mold collective action (Evans, in Pempel, 2005: 17).

Regionalism can be understood as a construction of intergovernmental collaboration over a strictly geographic base (Ravenhill, 2001: 6-7). Then, according to the aspects observed in the previous definitions of region, it is necessary to consider the political, social, cultural and environmental elements described.

In this order of ideas, it is important to point out that the previous reflects the extent of regional development, for which a process of policy elaboration that includes not just the governmental sector, but consultation and the consensus of relevant sectors such as companies, non-governmental organizations and society in general (Boisier, 1992: 14).

For Lawson, seen from an inter-subjective perspective, the construction of a region implies diverse motives, agendas, interests, aspirations, assumptions, representations and realities. In this sense, regionalism implies, on the one side, a description of the processes of political, economic and social integration; on the other, a political ideology and project (Lawson, 2007: 23-24).

Since the 1970s and the 1980s, a renovated emphasis for regionalism emerged. This was due to the needs of governments to collaborate after realizing the difficulty of achieving their goals by unilateral means of action, and that cooperation would permit them to reach these goals in a more effective manner (Ravenhill, 2001: 26-27).

According to Schiff and Winter, countries tend toward regionalism due to governments' attraction to democratic policies; access to larger markets; pressure from globalization; and in some cases, their wish to conserve their sovereignty; their search for alternatives to speed up negotiations in paralyzed areas in the multilateral trade system; their desire to help their developing neighbors (not always); and mainly, out of fear of being excluded from the processes of regional integration (Schiff and Winter, 2003: 6-9).

In regards to regional development, this is commonly associated with economic development, in relation to the search for welfare and prosperity, in terms of employment, productivity and better income. This approach was extended du-

ring the 1990s, in order to include social, ecological, political and cultural aspects, which also influence people's perceptions of what they want as development in their locality (Pike et.al., 2006: 44). This is the concept, with which we are familiar with nowadays. This type of development can cover anywhere, from a locality to a macro-region, based on the territorial approach and the scope it seeks.

It can be concluded in this section that regionalism has become an associative process practiced by countries in order to face the challenges -of economic nature in this case- that are posed by the international environment, of which they cannot face by themselves. Moreover, despite regionalism has largely been conducted by governments, it can be influenced by other actors, such as firms and civil society.

## **II: The Role of Institutions in the Construction of Regions**

Although the formation of regions depends on the influence of a type of identity in order to generate the political consensus needed to create them, the task of the government, in terms of management, is to create institutions that serve as a framework to nail down the concerns towards regionalism. In this sense, for North, institutions are the rules of the game in a society, or more formally, they are limitations created by man that give shape to human interaction. Therefore, they construct incentives during the human exchange, in political, social or economic form. Also, the institutional change shapes the way societies evolve over a long period of time, which is why understanding historical change is key (1993: 13-14).

Institutions can represent advantages in the form of regions, from a local to a macro-regional level. Formal institutions are considered as an integral component in the reduction of uncertainty, as well as to propitiate trust in economic relations. The institutional context can vary geographically with consequences of growth and regional development on different levels (Pike, Rodriguez and Tomaney, 2006: 90-91).

One of the manifestations of this tendency towards regionalism is regional agreement of integration (RAI). Some favorable aspects for counties in reference to RAI's include the reduction of the possibility of conflicts and the facilitation of establishing agreements to share resources. However, commercial motives are not sufficient to justify RAI's. In this sense, the development level of some of the aspiring partners also has a great influence, because there will generally be larger benefits for countries that associate with others that are more developed (Schiff and Winter, 2003: 73-74).

In the AP, institutionalism has particular features that distinguish it from other regions, starting with the nonexistent regional agreement. This is mostly due to

structural and ideological elements derived from the historic background of human interactions between the countries of the region, as well as foreign influence.

Asia Pacific's institutions, such as the Pacific Basin Economic Council (PBEC), the Pacific Economic Cooperation Council (PECC), and APEC, all of which are cooperation fora, share common features such as informality in its operation, decisions taken by way of consensus, and the support of the principle of "open regionalism". Thanks to these features, cooperation has been facilitated and the level of interdependence has increased. However, from a functionalist perspective, a higher level of interdependence does not necessarily assure integration (Solingen, in Pempel: 38-42).

One approach that highlights institutionalism in the AP, APEC specifically, which is the most important intergovernmental forum in the AP region, is the theoretical course of a multi-level governance framework, based on regimes and meta-regimes. Aggarwal and Morrison (2000: 300-304), indicate that regimes refer to rules and processes such as force, nature, approach, and that also include a series of issues and actors. Meta-regimes are norms and principles that have been accepted under international arrangements. The objective of international regimes is to regulate the actions of States.

In regards to its meta-regime, it has responded to the demand for creating a regional agreement without harming the multilateral trade system, through modalities and structure. It has also supported the WTO through the formation of an open block that promotes liberalization (Aggarwal and Morrison, 2000: 305-307).

In this sense, APEC has a young institutionalism that on a multilateral level gives room to governments, non-governmental actors such as companies and academia, as well as NGO's. These schemes are gaining force, as denoted by the Association of Southeast Asian Nations plus China, Japan and South Korea (ASEAN+3), but still over a base of values such as the "*ASEAN way*," among them, the low level of institutionalism, consensus and peer pressure (Evans, in Pempel, 2006: 200-202).

### **III. World Models of Integration**

There are at least two models of integration that exist in the world today. There is a more popular one characterized by more formal and political institutions, and another more open and informal, based on the strong level of interdependence amongst its members. The objective of both is to achieve development through the optimum use of their competitive advantages.



It must be pointed out that regions are circumscribed in a globalized system that obey structures and forged political interests around States' interaction. According to Katzenstein (2005: 21-22), regions have material and symbolic dimensions that manifest themselves in patterns of behaviorist interdependence and political practice, as well as reflect the power and purpose of States. These have become "porous" due to the merging of elements from globalization and internationalization. The first are derived from the processes of the world system in which regions are established, while the second are processes molded by the State system that form different regions.

This globalized system was molded during the past century, around the time of the United States' hegemony towards the end of the Second World War (WWII), consolidating itself in an empire of sorts, which combined elements of territorial power and new ways to exercise coercion and authority. In this context, the regions of Asia and Europe stand out. Their structures were determined by the interests of the United States, who took advantage of the porosities to implement the structure that has allowed it to mold the world under a neoliberalism scheme (Katzenstein, 2005: 23).

In addition, the United States has taken a "pivotal" role to impulse world trade and the overall open trade system. From the 1990s, the swerve towards establishing free trade agreements started, after the negotiation of NAFTA, which represented a change in the attitude towards these agreements, after the General Agreement on Tariffs and Trade (GATT) had been privileged for various years (Urata, 2009: 4-5). This agreement would establish the standards for all agreements to be negotiated from that point on, and proliferate a "new generation" of agreements under the WTO scale. A latent threat was the possibility of the formation of closed blocks that in turn could threaten the multilateral trading system. However, the United States would benefit through regional and multilateral ways--this last one in order to pursue its individual interests--that were not negotiated in the first field (Haggard, in Mansfield, 1997: 35).

It should be noted that the processes of regionalism each has its own characteristics that distinguish it from the others. Among the main regions, we can mention that the European Union has created supranational institutions based on a community forged by a historical and political background. In North America, NAFTA has established pragmatic institutions, but without an interest in forming a community; while the AP wishes to simultaneously pursue both objectives, but without one interfering negatively with the other (Martínez, 2002: 762-763).

In this sense, it is common to identify a conflict among these main models of integration, mainly in reference to the search for markets, defending commercial

interests, ensuring resources, and developing competitive advantages that allow them major growth and influence; as well as responding to internal political situations (Milner, in Mansfield, 1997: 77).

Although the AP does not have a strong institutional framework that will encourage integration like that of the EU, there was a risk that countries in the AP and ASEAN would form a closed block capable of becoming the regional hegemony. In the face of this situation, the United States pursued a new strategy based on the conformation of a regional integration scheme based on trade and investment, and that gives it both an economic presence in the region, as well as a chance to prevent the progress of China, its main competitor, in an economic and strategic ambivalence (García, 2013: 97-98).

#### **IV. The TPP as an Instrument for a Renewed Integration in Asia**

AP, unlike other models of regional integration, has been characterized by having institutions based on the willfulness and consensus of its members, and whose regime in terms of regulations is still weak in comparison to other models based on legal and political frameworks. We must also consider the high degree of heterogeneity, both on a development and cultural level, as well as latent disputes inherited from the Cold War, which makes it difficult to conceive a sense of identity.

According to these features, AP did not seek to create a community, since this implies a long and profound process, which is why only open and flexible institutions were established to promote dialogue concerning economic topics that allowed a better mutual knowledge. It was precisely this economic growth and high interdependence that boosted the creation of cooperation fora of governmental representation such as PAFTAD, PBEC, PECC and later, APEC (Martínez, 2002: 763).

As was mentioned before, these institutions were based on the willingness and consensus of its members, adopted an “open regionalism” as an approach to promote economic liberalization through unilateral but concerted actions, and supported by a strong interdependence and regional economic dynamism. This assumes that the gradual elimination of internal trade barriers in a regional group will be implemented more or less in the same measure and at the same time as the reduction performed towards other non-members (Garnaut, 2004: 7).

However, the biggest contribution of fora like APEC has been its function as a “regional OCDE,” that is to say, in the exchange of experiences and the improvement of practices that contribute to the enrichment of knowledge and the capacities of its members, in regards to the support and the promotion of the multilateral trade system and in economic and technical cooperation (McKay, 2005: 22-25).

However one of the most severe pieces of evidence, in the case of APEC, came during the 1997 economic crisis, where its capacity to face the adverse effects was surpassed by the magnitude of the phenomenon (McKay, 2005: 57-58). Also, the crisis represented a breaking point in the approach towards Asia Pacific integration, in the face of the loss of creditability in "open regionalism" (Garnaut, 2004: 17 and Park Soon, 2006: 51) and the search for contractual schemes, hence the proliferation of agreements in the region, the same that were the result of new practices among the countries.

In this sense, given the boom of agreements negotiated and the latent danger of the lack of congruency among these, creating a sort of "Spaghetti bowl" since 2004, the private sector of the region, represented by the APEC Business Advisory Council (ABAC) requested APEC to explore the possibilities for establishing a Free Trade Area in the Asia Pacific (FTAAP) as a long-term objective. In response, APEC proposed to consider the existent regional integration schemes such as ASEAN+3, ASEAN+6 and the then Trans-Pacific Strategic Association or "Pacific 4" as potential "building blocks" for an FTAAP (APEC, 2007).

This last agreement, established in 2005 by Brunei, Chile, New Zealand and Singapore preceded the Trans-Pacific Partnership Agreement (TPP). The TPP surfaced from the extension of the "Pacific 4," undertaken since 2008, after the manifested interest of the United States to join. Soon, Australia, Peru, Vietnam, Malaysia, Canada and Mexico would follow in 2012, and Japan in 2013.

The TPP is until now the most ambitious integration scheme because of its size and the wide extent of its dispositions. This includes topics traditionally addressed in other free trade agreements, such as market access, services, intellectual property, government procurement, agriculture, conflict mediation, among others; also, new topics such as small and medium sized enterprises, state owned enterprises, capacity development, regulatory convergence, and e-commerce.

This process has captured the attention of the rest of the world, but has also raised some controversy. At least during its negotiation process, the TPP represented the United States' vehicle to cover various objectives of its international policy, mainly assuring its participation in trade with Asia Pacific: having a contingency plan in the face of the lack of progress in the negotiations taken place at the WTO Doha Round (Rodrik, 2011: 82-83). Avoiding to close markets in the face of protectionist measures, like those raised during the 2008 economic crisis; and containing the emergence of China in both economic and strategic terms (García, 2013: 101-102).

In this sense, the United States intended to elevate the level of institutionalism in the Asia Pacific as a measure to achieve the before mentioned objectives.

This is nothing new, since we must remember that something similar was also done in 1993, by dizzily changing APEC's objectives--of economic cooperation towards increased trade liberalization--on the one side, and establishing economic leader meetings on the other (Anguiano, 2002; 791).

Taking into account other developing integration schemes, like the Regional Comprehensive Economic Partnership (RCEP), which derived from previous initiatives such as ASEAN+3 and ASEAN+6, does not include the United States but where China has a leading role. This in turn generates a competitive situation, in which at some point the TPP took the edge, by concluding negotiations 2015.

It should be noted that as the regional integration agenda and the integration process kept its progress, the APEC agenda has become more focused and has started to acquire new relevance in the region. This is because its dialogue has served as an "incubator" of ideas that may be applied to integration schemes while conducted, as well as the initiatives that support these in areas like structural reform, trade facilitation and capacity building.

## **V. The AP: ¿An Improbable Region for Mexico?**

Given Mexico's geographic remoteness, limited economic contact and lack of cultural affinity with countries in the AP, its integration into the region would seem improbable. However, despite said limits, this has not stopped Mexico's interest in pursuing a rapprochement with the region, given the opportunities that this could offer to its own development by forming part of the productive processes and the dynamic flow of trade and investment, as well as in terms of knowledge and technical advances.

It must also be taken into account that one of the characteristics of regionalism in the 21<sup>st</sup> century is to go beyond geographic criteria and towards economic, institutional, cultural and environmental aspects. AP has this, and globalization can help facilitate the interactions between these scopes.

In the early 1980s, Mexico initiated a change in its economic policy, after the negative experiences from the oil crisis and debt, reflection of the depletion of the protectionist import substitution model. In this sense, a series of policies oriented towards the opening of the Mexican economy, for reducing trade and investment barriers supported by less regulations and more maneuvering freedom for the private sector, began to unfold (Palacios, 1992). The objective was to boost development through world economic integration and the opportunities this could bring.

Also, within these policies was Mexico's interest in diversifying its trade relations with the rest of the world for reducing its trade dependence with the United States. For this reason, and due to its level of economic and commercial growth, one of the regions that caught the government's attention was the AP. However, the limited knowledge and affinity with that region hindered the approach for an effective strategy of rapprochement (González, 2008: 45-48).

The relation between Mexico and the AP region has been plagued by complications. Initially, a linkage in geographic and historical terms was sought after. In the geographic case, the Pacific Ocean coasts were considered. However, this criterion turned out to be too vague, considering its distance and low relevance in the face of Mexico's shared border with the United States (Silva, in Palacios, 1992: 15). In turn, the historical case involved the antecedents of contact and exchange that occurred during the XVI century through the "Chinese ship" (Palacios, González and Rangel, 2006). However, the present context corresponds to a reality different from the colonial period. Unfortunately, the initial contact lost its intensity and remained lagging for a very long time.

Politically, Mexican diplomacy has had some presence in the region, through the establishment of relations with the East and Southeastern Asian countries. However, this has not been reflected from an economic point of view. Trade and investment exchanges have been reduced and are concentrated solely on certain partners such as Japan, China and South Korea. However, these in general are characterized by deficit, just as with most of the other countries in the region.

In this sense, towards the end of the 80s and early 90s, Mexico followed two paths in order to achieve rapprochement with the Asia Pacific. The first was bilateral, through the opening of diplomatic representations and official visits in Southeast Asia. The second was multilateral or institutional, through its entry into regional cooperation fora, taking advantage of the open character of these. In this manner, Mexico joined to PBEC in 1989, to PECC in 1991, and APEC in 1993.

In relative terms, the institutional slope has been the most active. However, Mexico joined these regional fora and organizations a bit late. Also, because of the limited and ambiguous definition of its objectives (Székely, 2001: 12), its participation in these barely realized its full potential in the past.

In the past, the links on a bilateral level with the countries in the AP were erratic and are circumscribed to the government in office (Székely, 2001: 12). In this sense, relations have been concentrated solely on a limited number of the region's members, and not always taking advantage of the opportunities

this can offer. Some countries that can be highlighted are Japan, with whom we have an Economic Association Agreement since 2005 that has brought us modest but good results and still has a great potential to be tapped in terms of trade and cooperation. China, who for a time was seen as a competitor and little was done to explore the channels in which both countries can benefit (Anguiano, 2001: 3-5 and Palacios, 2006: 31-32) until recent years with the re-launch of a comprehensive agenda in 2013; and South Korea, with a significant investment presence in our country, but with whom exchange can be increased by exploring the proper means to do it.

In the case of Mexico and Southeast Asia, both diplomatic and economic links are very recent. Only Singapore maintains an intense presence in terms of trade and investment. With the rest of the region, Mexico shares with the remaining countries international positions and problems, which helped consolidate our ties in the 90s (Márquez, 2001: 10). Thus the need to keep exploring opportunities and common views with these countries; considering their raising involvement as regional players, such as the case of ASEAN and its key role in the RCEP process, which has become central to the integration in AP.

With the intention of measuring the commercial exchange level and according to the settled objectives, the indicators exposed in table 1, were taken and adapted to Mexico's international commerce (imports and exports) as well as to the Foreign Direct Investment (FDI) with each of the countries that would be part of the TPP. Complementing in a quantitative way the analysis regarding the question: "¿Is the Asia Pacific region an improbable region for Mexico?" in such a way that it caused the indicators to be adapted as follows.

There is a great number of analysis indicators that allow us to observe the degree of integration of the world economies. In recent years, The International Trade and Integration Division of the Economic Commission for Latin America and the Caribbean (ECLAC) has developed new activities in an attempt to enable the strengthening of technical and analytical capacities for the development of indicators of foreign trade and trade policy. Between the previously mentioned indexes, the participation indicators in global and regional exchanges stand out.

The participation indicators in global and regional exchange are useful indexes for measuring the dynamism and adaptation of an economy to the development and dynamism of the international commerce since it relates the exports and imports of the country together with the total amount of exportations of goods and/or services (Durán y Álvarez, 2011)

**Table 1**  
**Participation indicators in global exchanges**

<i>Type of Index</i>	<i>Calculation</i>	<i>Description</i>
Participation indicators in global exchanges	$(X_i + M_i) / (X_{\text{world}} + M_{\text{world}})$	Participation for the weight of local trade in the global commerce
	$(IED * 100) / IED_{\text{world}}$	Medium participation for the weight of Direct Foreign Investment in the global commerce

Source: Durán y Álvarez, 2011.

Table 2 shows how the world's total number of imports and exports is substituted for Mexico's total number of imports and exports, while the global FDI is replaced for the Mexican one. That way, the indicator shows the real exchange participation level for each of the countries that would be part of the TPP.

**Table 2**  
**Participation indicators in exchanges with Mexico**

<i>Type of Index</i>	<i>Calculation</i>	<i>Description</i>
Participation indicators in exchanges with Mexico	$(X_i + M_i) / (X_{\text{world}} + M_{\text{México}})$	Participation for the weight of local trade in the commerce with Mexico
	$(FDI / FDI_{\text{México}}) * 100$	Medium participation for the weight of Foreign Direct Investment in inflows of FDI to Mexico

Source: Own elaboration based on Durán y Álvarez, 2011.

With the purpose of carrying out the proposed calculations, we took the data bases of Mexican imports and exports by country from the period of 1993 to 2015 obtained from the Bank of Mexico (Banco de México). These data was grouped by free trade agreement and once it was grouped the corresponding calculations were made.

In the case of the FDI, the data was only taken from the period of 1995 up until 2015 of the Mexican FDI by country from the Bank of Mexico due to the homogeneity of the data present in the previously mentioned period, also grouping it by free trade agreement.

### *V.1. Participation of the imports and exports of the TPP countries in relation to Mexico*

If both participations are reunited with the intention of discovering the level of participation or the total participation level in the international trade of each of the

countries that make up the TPP in relation to Mexico, the result is obtained as seen in table 1: To begin with, in the case of some countries such as Vietnam, Australia, New Zealand, Malaysia and Brunei, the foreign trade with Mexico is practically non-existent, reason why these countries were omitted in the quantitative analysis. Subsequently, as seen in table 3, the period lasting from 1993 to 2015 shows that the 71.861 per cent of the Mexican international trade is done with the United States, being the year 2000 the main trade peak with the mentioned country. After the United States, the most important country for Mexico within the TPP, in matter of trade, is Japan with a trade level of 2.872 per cent; followed by Canada, with a 2.401 per cent, Chile with 0.496 per cent, Singapore with 0.357 per cent, and, in last place, Peru with 0.200 per cent (See table 3).

**Table 3**  
**Participation of exports and imports by treaty, 1993- 2015**

<i>Year</i>	<i>United States</i>	<i>Canada</i>	<i>Chile</i>	<i>Japan</i>	<i>Peru</i>	<i>Singapore</i>
1993	75.416	2.194	0.266	3.756	0.238	0.250
1994	75.853	2.478	0.316	4.203	0.205	0.242
1995	78.174	2.357	0.445	3.536	0.190	0.290
1996	79.932	2.028	0.518	3.064	0.176	0.323
1997	79.809	1.980	0.535	2.576	0.168	0.396
1998	80.393	1.578	0.547	2.283	0.140	0.409
1999	81.031	1.769	0.380	2.001	0.119	0.414
2000	81.104	2.224	0.373	2.183	0.120	0.225
2001	79.132	2.108	0.405	2.360	0.103	0.305
2002	75.678	2.242	0.414	3.378	0.122	0.446
2003	74.725	2.218	0.433	2.614	0.100	0.441
2004	72.749	2.135	0.484	2.829	0.131	0.648
2005	70.065	2.280	0.535	3.165	0.170	0.641
2006	68.662	2.380	0.649	3.169	0.187	0.430
2007	66.163	2.587	0.673	3.257	0.206	0.408
2008	64.751	2.615	0.712	2.966	0.285	0.335
2009	64.082	3.301	0.556	2.777	0.206	0.356
2010	64.303	3.268	0.663	2.857	0.220	0.373
2011	64.724	2.862	0.613	2.593	0.257	0.264
2012	63.960	2.775	0.517	2.689	0.268	0.286
2013	63.635	2.635	0.494	2.632	0.326	0.276
2014	64.444	2.554	0.464	2.565	0.344	0.208
2015	64.022	2.650	0.422	2.600	0.313	0.239
Average	71.861	2.401	0.496	2.872	0.200	0.357

Source: Own elaboration based on realized calculations.



## V.2. Participation of the FDI for the countries of the TPP in relation to Mexico

The indicator of exploitation of FDI tries to measure the grade of approach between foreign companies in Mexican territory, this in the particular case of each one of the countries that make up the TPP. As observed in table 4, the FDI shows an irregular behavior during all the analyzed period.

Table 4 depicts that the FDI degree in Mexico is practically inexistent in the case of Brunei and Vietnam, with a notable exception during the years 2006 and 2014 respectively. The result for the FDI degree in concordance with the calculated indicators is deeply similar to the international trade indicator due to the fact that the United States is the country that demonstrates a higher FDI degree with an average of 47.34 per cent, followed far behind by Canada with a 0.42 per cent; Australia with 0.35 per cent; Chile with 0.20 per cent; New Zealand with 0.05 per cent; Peru with 0.01 per cent, and Malaysia with 0.002 per cent.

**Table 4**  
**Exploitation indicator in the FDI by treaty 1999-2015**

Year	Australia	Brunei Darussalam	Singapore	Malasia	New Zeland	Vietnam	United States	Canada	Chile	Peru	Japan
1999	0.0568	0.00	0.4740	0.0	0.0003	0.00	54.2297	4.9534	0.0455	0.0048	8.9484
2000	0.0408	0.00	0.4421	0.05	0.0002	0.00	72.0513	3.6619	0.0247	0.0089	2.4181
2001	0.0143	0.00	0.9073	0.0000	0.0055	0.00	71.7720	3.4870	0.0172	-0.0004	0.6233
2002	0.0036	0.00	0.2442	0.0018	0.2609	0.00	54.9465	1.1789	0.1370	0.0048	0.8475
2003	0.0318	0.00	0.0352	0.0000	0.0359	0.00	47.3911	2.1604	0.0887	-0.0039	1.0000
2004	0.0287	0.00	0.1189	0.0012	0.0249	0.00	36.3311	3.2014	0.1501	0.0497	1.8960
2005	0.1448	0.00	0.0563	0.0013	0.0234	0.00	47.4778	2.7783	0.4979	0.0016	0.7997
2006	0.1534	0.02	0.3033	0.0387	0.0018	0.00	63.8602	4.6419	0.2902	0.0019	-6.8852
2007	0.4314	0.00	0.4302	0.0000	0.0023	0.00	40.3249	2.6730	0.1085	0.0054	1.4180
2008	0.0392	0.00	0.3771	0.0018	0.0906	0.00	40.5379	11.9431	0.1096	0.0025	1.8860
2009	0.0901	0.00	1.4548	0.0000	-0.0009	0.00	41.9569	10.3232	0.2827	0.0157	2.1962
2010	0.1160	0.00	0.1403	0.0000	0.1024	0.00	26.6198	7.5094	0.3193	0.0099	2.1937
2011	0.0734	0.00	0.6495	-0.0085	0.1794	0.00	51.4550	6.0678	0.2409	0.0171	4.1152
2012	0.0621	0.00	0.2555	0.0000	-0.1892	0.00	48.4076	9.1839	0.1467	0.0177	9.3380
2013	0.0990	0.00	0.2210	0.0001	0.0301	0.00	29.5825	9.9644	0.2290	0.0192	4.1903
2014	0.0396	0.00	0.1747	0.0008	0.3128	0.0010	28.0059	11.5206	0.1947	0.0624	5.6070
2015	4.5090	0.00	0.8469	0.0010	-0.0182	0.00	49.9019	1.3637	0.4952	0.0000	6.4821
Average	0.3491	0.00	0.4195	0.0023	0.0507	0.0001	47.3442	5.6831	0.1987	0.0128	2.7691

Source: Own elaboration based on realized calculations

Moreover, without an effective strategy, there could be a risk that the TPP would increase a situation in which Mexico could remain focused just in one region, North America, instead of reaping the economic benefits of becoming part of the productive chains in AP.

Although it would seem improbable that Mexico's insertion in the AP will have an effective result, at least in the short to medium term, that is, it all depends on the approach that is offered. Despite its' late integration, Mexico has started to take advantage of the institutional slope, by taking its' first steps towards a higher presence. In addition, bilateral ties have been fostered, in which a major achievement was the Agreement with Japan. Dialogues about topics of mutual interest are also being maintained with China, with whom, as mentioned above, we are also experiencing a relaunching of bilateral comprehensive relations since 2013. However, despite having the previously mentioned instruments, there still lacks a regional insertion strategy that takes into consideration the perceptions of the various domestic sectors and that reflects real needs. With this, we would have a clearer idea of what exactly insertion requires, as well as the aspects that require more concentration. This has nothing to do with insertion as some sort of trend, political juncture, or worse, as some sort of whim, but as a rational, oriented process towards development.

The effectiveness of a strategy of this kind does not necessarily has to be linked to the start of a new administrative cycle, instead it could be constantly designed considering the national needs in a regional perspective, and its success will depend on combined discipline, skill and constant work, by hands of a strong institutional building.

## **VI. Renewed Strategies for Reattempting an Insertion in Asia-Pacific**

Despite the fact that Mexico's attempts to insert itself in the AP region have either failed or produced few positive results, our country has maintained its interest in forming part of the regional development processes. However, although this interest is renewed with each government administration (Székely, 2001), the short continuity of relations poses the threat of making it sink into a terrain of official rhetoric.

In addition, it has become common to talk about new opportunities to achieve the goal of rapprochement with AP, as were the cases of joining regional forums, APEC's 2002 celebration, and the Economic Association Agreement with Japan. Unfortunately, each of these events has seemed as being isolated and thus its full advantage has to be realized.

Given the previous, renewed strategies that allow the use of existing junctures are needed. For this, it is crucial to redefine Mexico's role in the AP region;

internal coordination and political continuity; and to consider the four possible slopes that will be later mentioned.

The redefinition of Mexico's role in the AP will allow us to know where our country is located in the international system, the region's existing processes, and the benefits that these processes could bring in terms of development. One example would be to identify the needs of technological innovation, locating the countries that could provide this through investment and establishing production facilities in the towns of our country that offer favorable conditions, and that at the same time will hook Mexico as a link to the global production chain. This will also allow us to know and identify the processes in which Mexico should participate.

In regards to internal coordination, every strategy of insertion requires the joint work of the sectors involved. While the government is responsible in creating and implementing policies, regionalism in the 21<sup>st</sup> century demands the participation of the private sector, non-governmental organizations, academia, and inclusively, the society, in the elaboration of policies. This would allow a higher certainty than the one needed based on the conditions and necessities.

The elaboration of strategies and policies will permit continuity in the policies. The problem of previous efforts, such as the Commission for the Pacific Basin, is the lack of attention due to its low institutional weight and marginalization. By having an institution that supports these strategies, this would allow a punctual tracing of activities for the pursuit of the goals established in regards to AP.

There are four slopes in which Mexico can deploy strategies for insertion:

1. **Regional Negotiation:** Through the negotiation of the TPP, if it enters into force once approved by its member's respective congresses, Mexico is betting on one of the present's most ambitious regional integration schemes. The benefit of taking part is that Mexico can lean on other members to establish rules that will balance the situation in the face of the more developed partners. We must remember that in North-South negotiations, the less developed countries can obtain benefits (Schiff and Winter, 2004: 74). However, with the sudden turn of position of the United States towards TPP, the ambiguity regarding their participation makes its implementation more uncertain, despite what other members decide.
2. **Institutional:** Mexico must maintain a constant participation in APEC and get more involved in the discussions that take place in this forum. The forum's multiple agendas, require a more continuous and consistent participation in order for it to be more oriented.

3. Sub-regional: Through the Pacific Alliance Initiative (Chile, Colombia, Peru, Mexico), created between the Latin American countries in 2011, with the purpose of progressing towards a profound integration that allows the free traffic of goods, capital services and people (Declaration of Lima, April 28, 2011). For this purpose, there is work in specific areas such as trade and integration, trade, services and capital facilitation, and the movement of people. The impact of this initiative has been so effective, that now includes Australia, Canada, New Zealand, Spain, Costa Rica and Panama as State observers (Joint Declaration, Cádiz, 2012). Through dialogue with its Latin American equals, for the first time Mexico has an instrument in which it can generate sub-regional strategies for its participation in AP.
4. Bilateral: Although Mexico took part in the TPP negotiation, this does not include various other countries with which it shares important commercial ties, such as China, South Korea, and Indonesia. Because of this reason, it is necessary to design schemes that permit the strengthening of economic contacts and leave the door open for future negotiations.

Once the previous paths for deploying strategies have been described, the key for this to provide good results is to make them converge with precise coordination and look after the coherence in each of their tasks.

## **Conclusions**

AP region has been and is a region of major relevance in the global context of the 21<sup>st</sup> century. In it, there takes place an economic dynamism derived from political, economic and social processes, as well as the interactions between the countries that form part of the region. The high economic interdependence, coupled with the open and flexible character of its institutions has generated a regionalism model that differentiates itself from formal schemes like the EU or NAFTA.

Following the changes in structural order, that resulted from economic globalization tendencies, including the 1997 economic crisis. The region has appeared to be prone to migrating from an open and voluntary approach of integration, such as that fostered by forums such as APEC, toward one based on more rigid institutions capable of creating their own regimes and with more interference over its members. The previously stated is done through the search for trade integration schemes by regional agreements, in which the TPP can be highlighted.

Meanwhile, for three decades Mexico has searched a way to insert itself in the Asia-Pacific economic processes that take place in the region, and that could

contribute to the achievement of its development. Unfortunately, in the past it has not had an accurate strategy, due to internal political issues, the lack of continuity and knowledge, without mentioning other factors such as geographic distance and a reduced commercial exchange.

However, regionalism in the 21<sup>st</sup> century considers economic, social, institutional, environmental and cultural aspects that define regions beyond a geographic level. In this sense, Mexico must develop insertion strategies based on the identification of its needs, but also from its benefits, as well as the coordination between the involved domestic sectors.

It is also important to consider the positive and negative experiences accumulated along with the attempts at insertion, since they can be useful, in the sense of not having to begin rapprochement with the region from zero. Among them, there are agreements established, corporate raids, and contacts through the participation in fora.

In addition, although there is a presence in regional cooperation forums, like APEC, the conditions for institutional change in the region are convenient for Mexico. Among these are the conformations of integration schemes, such as RCEP and TPP, in which we take part.

Despite the fact that there is more certainty of Mexico's participation in the AP, at least in terms of a better integration in a negotiation scheme. We must be cautious of the fact that this does not necessarily forms part of a Mexican plan of its own, and we run the risk of solely replicate old practices and adopt a responsive stance without proposing strategies based on our real needs.

In this sense, we must consider all the possible scopes in which Mexico can deploy its strategies, among them the four that I have previously identified. Although at first sight these strategies may seem modest, they are firm and clear in what they pursue and can contribute to a regional development plan that goes in accordance with its characteristics and needs.

For this, we must continue working internally in order to consider the real needs and better guide the strategies towards aspects that we want to collaborate in with the region; and consider the three principles that will help to achieve it: prudence, patience and presence.

In addition, this paper highlights the difficulties of the WTO in controlling protection. While the speech is geared to free trade and open borders, countries behave like mercantilists thinking that exports are good and imports are bad. Hence, countries try to achieve maximum market access abroad while giving up as little of their own market access. This trade negotiators mandate makes no sense as it is opening up your own markets to imports where the main economic

gains come from, not from getting market access abroad. Thus, if governments do not sell liberal policies at home and/or do not believe in open trade and investment for their own economic progress, than governments are always going to find legal/grey ways to protect their industries. Due to the only real sustainable liberalization is for governments to adopt unilateral reforms, irrespective of what other governments do, based on doing solid economic analysis at home of the economic benefits to the country of trade and investment liberalization and to be prepared to sell them at home.

Finally, there only remains to say that we cannot keep wasting the present junctures, opportunities, and huge challenges that mean being a part of the AP region. Nevertheless, for this, there requires well-established strategies based on a higher and better contact and knowledge of the region. In other words, we are not starting from zero, but we must considerer redesigning a strategy, in order to not only have a physical presence, but a presence in all scopes possible in the region, considered as the most dynamic in the world.

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