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Abstract:

This article aims to explain the development of Mexico's relations with Pacific Asia. Based on the historical background of Mexico's relations with Asia and on internal and international transformations, we identify the interests of Mexican political actors in Pacific Asia as well as the scope for their realization. Additionally, we provide an overview of the existing political and economic relations between Mexico and the Pacific Asia. In conclusion, an interpretation of recent developments concentrates on the critical variables which are responsible for the existing links between Mexico and Pacific Asia.

1. Introduction

Mexico, like most other Latin American states, is a country in transition, and during the past two decades, it has stood several times in the front line of transforming events. In 1982, the Mexican memorandum triggered off the debt crisis which represented a turning point for Latin American development strategies and accelerated political transition. In 1990, the start of negotiations for a North American Free Trade Agreement (NAFTA) represented the rise of a new era in hemispheric economic cooperation, and also had a strong impact on Latin American integration. Yet, on the inauguration day of NAFTA in 1994, the Chiapas uprising made clear that the neo-liberal remedy, together with a nondemocratic political regime, had imposed unbearable social costs on the hugest part of the Mexican population, and that a second wave of reforms was needed in order to promote sustainable development and democracy. Then, in 1994 and 1995, the financial turmoil, created by relying too heavily on external portfolio investments for financing modernization, was the cause of another economic crisis. The Tequila effect, spreading from Mexico to Brazil and Argentina, demonstrated the dark side of world market integration and globalization. In 1997, and finally in 2000, Mexico again attracted international attention when parliamentary and presidential elections eliminated most of the pillars of an *ancien*

regime, making Mexico one of the last Latin American authoritarian regimes to be swept away by what Samuel Huntington (1991) called the third wave of democratization.

In this environment of economic and political transformation, Mexico can be seen as one of the Latin American pioneers in attempting diversification toward the Pacific Asia region. Since the second half of the 80's, and especially under the government of Salinas de Gortari (1988- 1994), Asia Pacific gained prominence in statements made by the president and members of the government, who presented the region as an attractive alternative for diversification. Diversification as a strategic objective, however, has a long tradition in Mexican international politics. This is mainly because of the giant in the north who, on many occasions, did not hesitate to interfere in Mexican internal politics, whenever the implementation of national interests made such action reasonable. One might therefore say, that the declaration of the old Mexican dictator Porfirio Diaz (1876-1910) "Poor Mexico, so far from good and so close to the United States" has been an imperative for Mexican foreign policy for almost all of the last century (Schirm 1995, 17). Within this intensifying economic and political context, diversification meant fostering relations with regions - mainly South America and Europe - in order to build up a counterweight to the relations with the USA. The authoritarian regime in Mexico successfully employed rhetoric and ideological differentiation between Mexico and the United States in order to legitimate itself. However most of Mexico's attempts at diversification were not fruitful and did not save the country from being vulnerably dependent in its economic relations and political alliances.

The following remarks, therefore, will try to answer the *ifs* and the *whys* in respect to Mexico's diversification efforts toward Pacific Asia. The first question is *if* those attempts were successful, and the second question is *why* those attempts were fruitful or not. In other words, this article aims to analyze whether the internal and international transformations of the eighties and nineties opened up a political and economic maneuvering space for intensifying Mexico's relations with the Pacific Asia Region, and if so, whether the relevant political and economic elites were able

to instrumentalize this scope for successful diversification. In order to reach an answer to these main questions, we shall try to develop our arguments in four sections. First, as foreign policy cannot be explained properly without referring to historic legacies, we shall set the historical background of Mexican - Pacific Asia relations, which might have shaped the state preferences beyond material rationalism (Wendt 1992). Based on this historical background, and on the internal and international transformations, we shall then identify the new Mexican interests in the Pacific Asian Region and the scope available for their realization. In a third chapter, an overview of the existing political and economic relations between Mexico and Pacific Asia since the end of the last decade will be given. In conclusion, an interpretation of recent developments, based on the empirical evidence we have presented, will concentrate on the critical variables which are responsible for the existing links between Mexico and Pacific Asia.

2. The Historical Background of Mexican Asian Pacific Relations

Mexico and Chile are probably the two countries of Latin America which have had certain, continuous historical links with the Pacific Asia Region. In the case of Mexico, those relations can be traced back to the sixteenth century. In 1571, Miguel Lopez de Legazpi started an expedition from Acapulco, and founded Manila, thus beginning with the colonization of the Philippines (Jara 1979, 38f.). In order to establish a connection between Europe, Asia and the American colonies, the Spanish Crown then set up a shipping route between Manila and Acapulco, exchanging Hispanoamerican silver for Chinese silk and Asian spices. However, these first economic relations between Mexico and Asia excluded the rest of Latin America, because the Spanish kings, defending their own trading monopolies, neither allowed other ports of the subcontinent to establish their own routes to Asia, nor did they permit them to buy Asian products. (Villalobos 1979; 76 f.; Horisaka 1993, 51). The route lasted until 1815, when the decline of the Spanish empire, the independence movement in Latin America, and new shipping routes made it obsolete. Afterwards,

for most of the nineteenth century, connections between the young Mexican Republic and Pacific Asia were almost non-existent. The difficult process of nation-building in Mexico, shattered by bloody civil wars and the confrontation with external interference by the USA and by some European powers, gave Mexican leaders no political resources to implement or even design a foreign policy beyond hemispheric matters.

It was only under the relatively stable dictatorship of Porfirio Diaz, from 1876-1911, that the first Mexican attempts at diversification toward Pacific Asia were made. In 1882, the famous Mexican diplomat, Matías Romero, started an initiative to establish diplomatic links with Japan which was concluded in 1888, making Mexico the first Western state to accept the full sovereignty of Japan. The Mexican interest here was to diversify its commercial relations, while Japan, in the period after the Meiji reform, was seeking international recognition. Furthermore, both countries shared profound concerns about the growing Pacific influence of the USA (Horisaka 1993, 50; Yanaguida/Akagui 1995, 374).

During this time, China was the second country to be of particular interest to Mexico. Negotiations on the establishment of full diplomatic relations had started already in 1875, but could only be concluded in 1899 (Connelly / Cornejo 1992, 40 u. 47). Once again, the Mexican government saw the Chinese market as an opportunity for diversify its exports. Their attempts, as in the case of Japan, showed no significant results. The Chinese government, on the other hand, was primarily interested in gaining influence over the treatment of Chinese immigrants, which leads us to another connection point between Mexico and Pacific Asia.

With the *Porfiriato's* achievements in modernization, Asian migration to Mexico gained considerable momentum due to Mexico's need of a cheap labor force (Ota Mishima 1982, 9ff.). The first wave of migrants between 1875-1910, consisted of approximately 40.000 Chinese workers. However, of those 40.000 only about 15.000 stayed in Mexico because of Anti-Asian racism, which was supported by many revolutionary regimes, and also because the Mexican revolution made the

country relatively unattractive for migration compared to the USA (Hung Hui 1992, 112; Craib 1996, 8f.).¹ Another, and probably more important, wave of Asian immigration, which lasted with interruptions until the sixties of this century, was of Japanese migrants, who had come in greater numbers to Mexico since 1890 (Ota Mishima 1982; Kunimoto 1993, 112ff.). However, Japanese migration to Mexico was not as heavy as migration to Brazil and Peru. And furthermore in contrast to Chinese workers, the Japanese brought their families with them and, therefore did not assimilate so quickly with the local population.²

Table I: Asian Migration toward Mexico after World War II*

Year	Persons born abroad with permanent residence in Mexico	Asians born abroad with permanent residence in Mexico	%
1960	223.500	14.800	6,6
1970	191.200	9.200	4,8
1980	268.900	9.200	3,4

Source: Zlotnik 1991

While migration established a first cultural and ethnic link between Pacific Asia and Mexico, the political and economic links in the first half of this century were still marginal, compared to those to the United States, Latin America or even Europe. During the thirties, the Mexican government, being a member of the League of Nations, condemned Japanese aggression in Asia (Zea Prado 1995, 118). At the same time, however, the nationalization of the Mexican oil industry in 1938 brought with it a conflict with the US, since it forced Mexico to export oil to Nazi Germany and to Japan. US concerns about an alliance between Mexico and the Axis increased, and were swept away only by Mexico's entry into the War in 1942 (Ota Mishima 1982, 95; Kerber 1992, 47ff.).

¹ In 1982, there still were about 20.000 descendants of Chinese immigrants living in Mexico (Zlotnik 1991, 527).

² While migration of workers came to an end after World War II, growing Japanese direct investment led to an increase of Japanese professionals living in Mexico. According to information of the Japanese Foreign Ministry in 2000, there were 4.100 Japanese citizens and about 15.000 Mexicans of Japanese descent living in Mexico. In addition, 60.000 Japanese tourists visited the country in 1995.

Between the end of the Second World War and the beginning of the Mexican debt crisis in 1982, Mexican relations to Pacific Asia increased slightly, and were related mostly to Mexican *tercermundismo* and, in the case of Japan, to increasing economic ties. The first endeavors to strengthen relations with developing countries outside the Western Hemisphere were made by President Lopez Mateos (1958-1964). Regarding Pacific Asia, he was the first Mexican President who went to the region in 1962, visiting Japan, Indonesia and the Philippines.³ However, it was only under President Luís Echeverría (1970-1976) who concentrated his foreign policy on South-South-Cooperation, that certain Asian countries gained diplomatic importance.⁴ Especially the People's Republic of China was of interest for the Mexican government, because of its Third World diplomacy. Nevertheless, those relations were merely based on symbolism to express objection to „Western Imperialism“, rather than on an increase of transnational activities.⁵ So while Mexican *tercermundismo* had some success on the diplomatic level, it failed to diversify economic relations. Japan was the only country of Pacific Asia which gained a certain importance for the Mexican economy, even if the Japanese government did not support the ideas of South-South-Cooperation. The intensification of economic relations between both countries was actually due to the growing internationalization of Japanese business, which had perceived a lucrative investment and trade potential in the promising development of the Mexican market since the sixties (Matsushita 1993, 87, Guttman/Laughlin 1990, 172). Promoted by an efficient economic diplomacy, the institutionalization of Mexican-Japanese relations intensified steadily after the reestablishment of diplomatic ties in 1952.

³ Indonesia, as one of the protagonists of the non-alignment movement, obtained a certain diplomatic importance for Mexico. Between 1958 and 1961, Sukarno went to Mexico three times, but after the military coup led by Suharto, relations between both countries became unimportant once again.

⁴Relations between Mexico and the People's Republic of China (1971), Malaysia (1974), Thailand (1974) and Singapore (1975) were established (Ojeda 1986, 73; Connelly/Cornejo 1992, 110). Additionally, social sciences studying Asia Pacific were fostered by the government, and the Department of Asian studies at the Colegio de México, already founded in the sixties, became the leading Latin American research institute for Asian Studies (Álvarez de Antún 1996)

Table II: Institutionalization of Mexican-Japanese Relations from 1952-1986

1952	Reestablishment of full diplomatic relations
1954	Bilateral cultural agreement
1958	Establishment of the JETRO-Office in Mexico
1960	Foundation of the Japanese-Mexican Entrepreneurial Committee
1967	Agreement on cooperation in telecommunication systems Establishment of a bilateral economic committee
1968	Bilateral fishery agreement
1969	Bilateral agreement on trade relations
1972	Removal of visa-need
1976	Foundation of a bilateral Culture Commission
1978	Bilateral agreement on tourism
1981	Foundation of the Japan-Mexico-Friendship Fund, sponsoring cultural exchange
1986	Agreement on technical cooperation

Source: Hernández Castañeda 1989, 161 f.; Japanese Foreign Ministry / Internet

After this time, while Japanese direct investment in Mexico still increased in absolute numbers, Japan began to concentrate on the US market, Europe and Asia as objects of its direct investment policy, whereas the debt-shattered Latin American Region, including Mexico, lost its former importance. With respect to Mexican trade relations with Japan, Mexico reached a surplus during most of the eighties, mainly due to the diversification attempts of Japanese oil importers.⁶ Putting aside the importance of trade and investment relations with Japan from a Mexican perspective, the centerpiece of Mexican-Japanese relations during most of the eighties was connected with the Mexican debt crisis.

⁵During the Central American crisis, the Mexican position, considerably different from that of the Reagan administration, gained support from the Chinese government and, to some extent, even from Japan (Van Klaveren 1985, 67; Connelly/Cornejo 1992, 106).

⁶Oil exports and public credits, for example, were the major discussion topics during Prime Minister Masayoshi Ohira's visit to Mexico in 1980 (Comercio Exterior, No. 5 1980, 499). In 1980, the share of oil-exports to Japan was more than 60% of total exports to Japan, increasing to about 80% in 1985 and then declining to 60% by 1988.

	1982	1983	1984	1985	1986	1987	1988
Total	58,87	62,56	69,38	72,08	75,35	81,41	81,00
USA	18,89	22,04	24,96	22,41	20,74	20,50	18,27
multilat. Organizations	4,77	4,4	4,88	5,95	7,41	8,13	10,42
Japan	8,10	8,64	9,9	10,71	13,01	15,23	15,31

Source: Secretaría de Hacienda y Crédito Público

Since the late seventies, the commitment of Japanese commercial banks in the Mexican public debt began to increase heavily (Kerber/Ocarranza 1988). By 1982, Japanese bankers had made their country the second largest creditor economy of Mexican debt, despite the fact that Japan was a newcomer to Latin American debt affairs. During the first years of the debt crisis, they allied Japan strongly with the US position (Kreft 1995, 240). However, when it became clear that the instruments of the Baker-Plan, presented in 1985, were not able to develop a lasting solution to the problem, the Japanese financial sector became more and more sceptical about the US position (Blake Friscia 1993, 169ff.).⁷ In 1988, Japanese finance minister Miyazawa presented a new initiative, suggesting debt reductions and sustainable debt conversion. The progressive Miyazawa Plan was first rejected by the US government, due to reasons connected with the US election campaign. But later its most important components were implemented in the Brady-Plan which was of major importance for the solution of the Mexican debt problem (Kreft 1995, 241; Blake Friscia 1993, 169). Yet, even if differences between Japan and the US regarding the debt crisis and, to some extent, the Mexican role in the Central American conflict, persisted during the eighties, they were at no time of sufficient an importance to create a cleavage between the two countries. Latin America had lost much political weight in Japan's external affairs because of its economic and political turmoils, and since the Plaza

⁷Yet, the positions adopted by private business and the Japanese government respectively showed certain differences. For example, regarding the *Morgan Guaranty Trust- Plan* of 1987, Japanese bankers decided to join the emission of Mexican debt, rescheduling papers only after having put pressure on the Japanese central bank to support them. So, while Japanese government agencies began to show a more progressive approach toward the solution of the debt problem, private banks often maintained conservative attitudes (Anderson 1989, 211f.).

Agreement, many developing economies in Asia represented a much more interesting investment and trading opportunity. Under such circumstances, it would have been senseless, from a Japanese perspective, to put additional stress on US-Japanese relations, which were already charged with a growing trade conflict, by indulging in political activism in Latin America, a region traditionally perceived by Japanese decision-makers as the backyard of the United States.

3. Mexico's New Interest in Pacific Asia

As we have tried to show, the connections between Mexico and the Pacific Asia were, in most cases, of sporadic nature, and not oriented to the region as a whole but only to certain countries which were of temporary interest to the Mexican government. As a consequence, we must conclude that these links were not the result of a coherent foreign policy but rather of external political and economic pressures. Therefore, Pacific Asia has not been a key variable in the formation of Mexican foreign policy identity. Instead, the most important influence on Mexico's international relations has been the tension between their self-perception as a Latin American society on the one hand, and their exposure to North American influence on the other hand.

It was only in the second half of the last decade that the Mexican government began to design a homogeneous strategy for the whole Asia Pacific region. After Miguel de la Madrid's visit to China and Japan in 1986, the foundation of the Mexican Commission for the Pacific, in 1988, seemed to represent the government's first strategic step towards connecting government agencies with private business and political think tanks (Hernández Castañeda 140; de la Pedraja 1989). With the beginning of the Salinas de Gortari *sexenio*, the rhetorical commitment to the Pacific Asia as a strategic option for diversification became even more obvious. This new development can be explained by a general turn in Mexican foreign policy making. The new elite in power promoted a pragmatic approach towards the task of

developing economic ties within the framework of Mexico's international relations. Thus, it abandoned the former inward-oriented economic development and tried to combine a new partnership with the United States, with the strategy of diversifying Mexico's links with other regions. With the administration of Miguel de la Madrid, a new group of highly skilled technocrats, who mainly came from the Secretaries of Planning, Finance, Trade and Commerce advanced to key positions of the government (Centeno 1994). Educated in reputed American universities, they shared the same ideology, language, and rationalism, favoring economic neoliberalism and a minimalistic concept of Schumpeterian-style democracy. The power consolidation of this group under Salinas, who could count on the support of the business sector and the US-government, made the strategic reforms of his administration possible, despite heavy opposition from the traditional advocates of inward-oriented development, authoritarian rule and *tercermundismo*.

With respect to Pacific Asia, one can identify three different reasons which, at least at first sight, made this area an interesting object of diversification, compatible with the grand new strategy of Mexican foreign policy.⁸

The first reason is the *strategic* institutionalization of a *new development model*, aimed at market-oriented modernization, which began to penetrate Mexican foreign policy. In 1986, Mexico became a member of GATT, and from 1987 on, there was a stronger alignment with the USA. Later, the administration of Salinas de Gortari tried to consolidate world market integration by deepening economic reforms like liberalization, privatization and deregulation. In order to secure these reforms against internal pressure groups of the traditional party sectors and new opposition groups, foreign policy had to work in two directions. On the one hand, trade agreements like NAFTA and those with several Latin American countries, as well as Mexican membership in international economic organizations such as GATT and the OECD (1994), were legal commitments, based on liberal principles and norms. On the other hand, since the state had given up its role of being the central agent of de-

⁸In order to follow the discussion about the strategic advantages of an Pacific Asia strategy in detail see: Urencio 1988, De la Pedraja 1989; Palacios 1993; Rubio 1996.

velopment, and since it's internal, economic strength was not great enough to guarantee modernization, external economic relations had to sustain the neoliberal strategy. In consequence, the basic goals of Mexican foreign policy shifted from the revolutionary ideals of social justice, represented by Mexican *tercermundismo* and the accentuation of state sovereignty, to a more pragmatic promotion of international economic cooperation. Aiming at an efficient integration of Mexico in the world market, Mexican government saw the dynamic Asian-Pacific economies as markets for traditional and non-traditional exports, as well as a source for direct and portfolio investment.⁹

The second reason is that the *changing nature of US-Mexican relations* influenced for the Pacific Asia approach of Mexican politics. While Mexico traditionally tried to sustain political differentiation, the new strategy toward national development and the beginning liberalization of the political system led to an alignment with the United States. A framework agreement on trade, in 1987, the successful implementation of the Brady Plan in 1989/1990 and the NAFTA negotiations, representing the centerpiece of Salinas' foreign policy, connected the Mexican economy even more closer to that of its northern neighbor. At the same time, this evolution had to be accompanied by measures of diversification. Too great reliance on the only remaining super power seemed to be a risky game, and so the Pacific Asia region presented an interesting alternative for regional diversification.

The third reason is that, from the late eighties on, the *changing of the international environment* made the Pacific Asia an even more attractive object of Mexican diversification. At the world economic summit at Davos in 1989, the European business community mistrusted how Salinas was courting for direct investment. This served to confirm his concerns that Western Europe would concentrate on its own integration and later on the transformation process in Eastern Europe rather than

⁹ While in 1983, oil and minerals still represented 63,7 % and manufactured goods 31,7% of total exports, in 1998 this relation changed to 9,9% and 84,6% respectively. The dynamics of the electronics industry and the automobile and the chemical industries were especially important in this shift in the Mexican export structure (Banco de México 1996, 253 and 256; Sexto Informe de Gobierno 2000). The reduced importance of oil exports in particular is stunning.

on intensifying its relationship with Latin American countries (Gil Villegas 1997, 54f.). With the loss of their political clout along with the vanishing of the South-South-Cooperation, Mexican relations to South America also tended to become more pragmatic and even competitive regarding the rivalry for international investment and trade surpluses. At the same time, growing regionalism in Pacific Asia seemed to become more institutionalized with the foundation of APEC in 1989. The participation in transpacific political multilateralism seemed especially promising for Mexico, since it represented an opportunity to balance the bilateral superiority of the US through joining forces with other countries by entering multilateral organizations.

However, the realization of these strategic objectives in terms of economic and political diversification in Pacific Asia was dependent on several macropolitical variables which paved the way for successful strategy implementation. Therefore, it seems necessary to take a closer look at the geostrategic setting, the political and economic stability, and the compatibility of the external economic sectors, since all these factors were the most important variables of Mexico's maneuvering space.

a) The impact of the *geostrategic setting* of Mexico on its strategy of diversification in Asia Pacific has been determined mainly by the country's large Pacific coast, and by Mexico's proximity to the United States. Both characteristics make Mexico, in the eyes of some analysts, the most interesting country for Asia Pacific business in Latin America (Roldán 1994, 66). However, this does not mean that diversification attempts are necessarily successful. First of all, the possible interest of Asian business could be interpreted as a consequence of the fact that Mexico is a bridge between the Pacific, Latin America and North America. For example, direct investment in Mexico could actually be aimed at the US market, and mean an immediate increase in Mexican-US trade, thereby reducing the intended spreading effect of diversification. Second, the US, aware of a possible loss of influence on Mexican politics, could try to boycott Mexican attempts at diversification in Asia Pacific. This would be especially likely if the economic conflicts between the US and Asia Pacific countries prevail or intensify (Roett 1991, 29; González/Chabat 1996, 47). However, this scenario does not seem very realistic. One reason for this is that concentration of

Mexican economic activity on its northern neighbor economy has been so high, that even a reduction would not help to substantially alleviate the political weight of the US. A second is that traditionally, the US-government has primarily been interested in political and economic stability south of the Rio Grande (Kaufmann-Purcell / Immerman 1991; Horisaka 1996). Mexican governments since the presidency of de la Madrid concentrated on implementing market-oriented policy programs, and forced political democratization, especially under the leadership of Zedillo Ponce de León. Such success in diversification should be tolerable for the United States. In the eyes of the US-administrations, diversification attempts, embedded in a market-oriented grand strategy, would at least have a positive impact on economic stability and democratization in the long run.

b) *Political and economic stability* can be seen as a second factor influencing diversification. In the case of Mexico, the Salinas government seemed to be successful on both levels during its first four years. It managed the political transformation process from above, and at the same time, succeeded in combining liberal reforms, macro-economic stability and slight growth. During this time, the international image of Mexico improved substantially. Yet the political and economic turmoils which began in 1993, and culminated in the Chiapas upheaval, and the Tequila Crisis in 1994 and 1995, illustrated the side effects of neoliberal strategy and intra-regime cleavage. In consequence, international confidence diminished once again (Faust 1995; Faust/Lauth 1996). Under such circumstances of internal insecurity, transnational actors tend to concentrate their resources on traditional external markets rather than try to increase relations with regions where the lack of market and cultural knowledge creates even more uncertainty. Additionally, in times of crisis and uncertainty, state actors generally concentrate their resources on topics which might reduce their deficit in legitimation. A stronger outward-orientation of the political elite toward unknown regions in general correlates positively with internal stability (Silva 1997, 2). Therefore, in the case of Mexico, one could expect a concentration on the internal legitimation of policy reforms, as well as a concentration on the

institutionalization of US-Mexican economic relations in order to protect the neoliberal policy from internal pressures.

c) The *compatibility of external economic sectors* is a third important reference point for the leeway that Mexico had in its attempts at diversification. This point is especially important when the economic strategy of a country is concentrated on external economic relations. Mexico still exports many raw materials such as oil, minerals and certain metals, which can be seen as complementary to the import structures of the developed countries in Pacific Asia, such as Japan and the four tiger economies Hongkong, Singapore, South Korea and Taiwan. Since the changing of the Mexican export structure during the eighties, however, those products have lost relative importance (Dussel 1996). Due to this changing export structure, exporting even more of these traditional products to Asia Pacific would have relatively small impact on the general diversification of Mexican trade. Instead, nowadays, the electronics, textile, automobile and chemical industries provide the most important products, and these are the sectors in which Mexico would be competing with local industries of many Asian Pacific countries. This similarity of typical export industries might have a negative effect on diversifying Mexican trade. However, at the same time, it could have led to more Asian direct investment because potential Asian investors could find several export branches, in which the competitive advantages of their investment would be relatively high.

To sum up, the political and economic leeway for diversification during the first half of the nineties can be characterized as ambiguous. On the one hand, the geostrategic setting for Mexican diversification might in general be rated as positive. In addition, the compatibility of the export structure with Asian Pacific countries at least did not correlate negatively with Mexico's strategic objectives. However, the political and economic instability certainly could be interpreted as an important factor which complicated successful diversification.

4. Economic and Political Relations

Thus far, we have identified the strategic objectives of Mexican Asian Pacific policy and have characterized Mexico's political and economic maneuvering space. This chapter will give a brief overview of the development of Mexican Pacific Asia relations since the end of the Cold War. First, the analysis will concentrate on trade and investment links. Second, it will focus on the diplomatic strategy of the Mexican government aimed at an increase in political relations with Pacific Asia.¹⁰

As table IV indicates, Mexican products did not penetrate Asian markets in the same way that those deriving from Asian Pacific economies penetrated Mexico. The resulting Mexican trade deficit with Pacific Asia has become a long-term structural problem with macroeconomic consequences. In the *Tequila-year* of 1994, the deficit with Asian Pacific economies represented 32.6% of the whole Mexican trade deficit, while imports from this region only made up a share of 6.2%. In comparison, the trade deficit with the US represented 27.9% of the total deficit, but imports from the US amounted to 77% of total Mexican imports. In 1995, after the strong devaluation of the Mexican peso, the deficit with Asia Pacific only decreased slightly, while trade relations with the US resulted in a strong surplus for Mexico. Still, in 1999, Mexican imports from Asia Pacific represented more than 10.2% of total Mexican imports, while exports to the Asia Pacific region stayed at a low of 1.4%, showing that the deficit was not only the result of an overvaluation of the Mexican peso. Thus, instead of the originally attempted diversification of exports, the result has been a diversification of imports.

¹⁰Regarding trade and investment, most of the data derives from Mexican sources and often differ from those of Asian sources. The reason can be seen in different methods of inquiry and due to the fact, that investment and trade directed at Mexico often takes a route through different intermediary agents in the United States. Yet, if data differ sometimes, the overall trends, presented in the following arguments are the same.

Table IV: Mexican Trade with Asia Pacific and the USA in 1989, 1995 and 1999 (millions US-\$)

	Japan			"Three Chinas"			South East Asia*		
	1989	1995	1999	1989	1995	1999	1989	1995	1999
Mexican Imports	818	3952	5083	368	1396	3731	81	1129	2673
As % of total Mexican Imports	2,4	5,5	3,6	1,1	2	2,6	0,2	1,6	1,9
Mexican Exports	1311	979	776	167	585	395	61	253	623
As % of total Mexican Exports	3,7	1,2	0,6	0,5	0,7	0,3	0,08	0,3	0,5
Exports+Imports	2129	4931	5859	535	1981	4126	142	1382	3296
As % of total Mexican Trade	3,0	3,2	2,1	0,8	1,3	1,5	0,2	0,9	1,2
Balance	+493	-2973	-4307	-201	-811	-3336	-20	-876	-2050
Total Balance	+400	+7087	-5584	+400	+7087	-5584	+400	+7087	-5584

*Indonesia, Malaysia, Philippines, Singapore, Thailand

Source: IMF statistic yearbooks, SECOFI, Banco de México

Table IV: Mexican Trade with Asia Pacific and the USA in 1989, 1995 and 1999 (millions US-\$)

	Korea			Total Asia Pacific			USA		
	1989	1995	1999	1989	1995	1999	1989	1995	1999
Mexican Imports	161	974	2964	1428	7451	14.451	26.900	53.829	105.267
As % of total Mexican Imports	0,5	1,3	2,1	4,2	10,4	10,2	77,3	74,3	74,2
Mexican Exports	51	91	154	1590	1908	1948	28.100	66.272	120.393
As % of total Mexican Exports	0,14	0,11	0,11	4,5	2,4	1,4	79,8	83,3	88,3
Exports+Imports	212	1065	3118	3018	9359	16.399	55.000	120.101	225.660
As % of total Mexican Trade	0,3	0,7	1,1	4,3	6,2	5,9	78,6	79,0	81,1
Balance	-110	-883	-2810	+162	-5543	-12.503	+1200	+12.444	+15.126
Total Balance	+400	+7087	-5584	+400	+7087	-5584	+400	+7087	-5584

Source: IMF statistic yearbooks, SECOFI, Banco de México

In addition, Table IV shows that the main share of this huge deficit derived from Japanese products, but that imports from all other Asian Pacific economies also increased heavily. On the other hand, Mexican exports to Asia went mainly to Japan

and to the Chinese markets. Mexican exports to Asia Pacific concentrated on traditional products like oil, commodity goods and agricultural goods. According to the Japanese foreign ministry, in 1998, Mexican exports to Japan consisted mainly of crude oil, nonferrous metal, salt, copper, silver, cotton and vegetables. But while oil exports to Japan decreased relative importance, even intra-industrial and intra-firm exports from Mexico did not rise substantially. While in 1990, approximately 125.000 barrel/day were shipped to Japan, this amount decreased to only 80.000 barrel/day by 1995 (Rodríguez-Padilla/Vargas 1995, 8-10). In contrast, Japanese exports, like those of the Asian tiger economies, were principally high value added goods from the machinery, electronics and automobile industries.

In the case of the Chinese markets,

„observers have speculated about what appeared to be a ‘perfect match’ between Mexico and the People`s Republic of China. The idea behind this expectation has been that both nations share a similar level of technological development and that China, in contrast to Japan, has a very large demand for the kind of goods produced in Mexico and less demand for raw materials. Evidence from the early 1990s indicates that China has seized this opportunity much more efficiently and rapidly than has Mexico.“ (Rubio 1996, 90)

Especially products from the Chinese textile and toy industries, often traded via Hongkong, had a devastating effect on local small and medium size producers. In consequence, the Mexican government imposed tariffs and quotas in 1993, in order to counter Chinese dumping of those products. Later in 1995, tensions resurfaced when Mexico once again imposed anti-dumping measures on 70 percent of Chinese exports (Mora 1997, 53). A similar situation could be identified when looking at the Southeast Asian economies. Mexican imports from this region rose steadily and derived mainly from electronic, machinery and light industries. In contrast, Mexican exports were mainly commodity goods from the paper, chemical, steel and construction industries.¹¹

¹¹Regardless of the rise of Asian imports, the Mexican market is still not of much importance to Asian economies. According to IMF data, exports to Mexico represented only between 0.2 to 1.2 percent of

The explanation for the poor performance of Mexican exports and exploding Asian imports can be traced back to several factors. First, the Mexican government, especially under the Salinas administration, pushed unilateral liberalization. At the same time, trade barriers in most of the Asian economies for non-traditional Mexican export products remained high, so that the chances for market penetration were unequally distributed. Second, especially medium size exporters from Mexico did not build up organizational structures to penetrate Asian markets and received almost no support from governmental organizations. The performance of those Mexican agencies in Pacific Asia remained weak, as they could neither provide much information about business possibilities in Asia nor could they create the necessary connections between Mexican entrepreneurs on the one hand, and Asian importers and government officials on the other hand.¹² So in times of economic and political insecurity and high interest rates, Mexican medium size producers directed their efforts towards short-term oriented sales activities in well-known markets rather than towards less-known regions with higher market penetrations costs. Only huge Mexican firms like Petroléos Mexicanos or Cemex had the organizational capacity to establish and deepen direct business with Asian clients. On the other hand, Asian businesses settled many of their trading representatives in Mexico in order to gain direct access to the Mexican distribution chains. Already at the end of the eighties, nearly all of the biggest Japanese trading conglomerates (shogo shoshas) had established offices in Mexico (Stallings 1992, 26). During the first half of the nineties, there was an increase in direct investment in Mexican commerce, particularly from Korea and China, which connected Asian production networks with the Mexican market. A third reason for the poor performance of Mexican exporters in Asia Pacific can be seen in the changing nature of Mexican export business. Since the withdrawal of the state as an agent of development, there has been almost no industrial policy aimed at higher

the total exports from those economies, so the Mexican market has not become a strong political factor for Asian exports.

¹²For example, the Mexican section of the PECC, already established in 1990, did not, as in the Chilean case, become an efficient network able to coordinate and promote business activities aimed at Asia Pacific economies.

value added production. So instead of what was originally intended, namely integrating the labor intensive *maquiladoras* near the US-Mexican frontier into national industry, what actually occurred was often the opposite (Dussel 1996). Especially small and medium size manufacturing firms relied more and more on importing components for assembly, and later exporting them to the northern markets. Under such conditions, Asian Pacific firms have become important providers of components for re-exportation, but not customers for manufactured products.

With respect to direct investment flows from Asia Pacific to Latin America and especially to Mexico, the evolution of the few past years can be interpreted more positively. In August 1997, while the Asian financial crisis was still growing, the Bank of Boston carried out a poll among executives from Singapore, South Korea, China, Philippines and Indonesia, regarding their view of Latin American markets (Boston Bank 1997). 76% of those executives argued that the status of Latin American economies had improved, 68% responded that they were more confident of Latin America than five years ago, and 61% said that Asian investments in Latin America would be likely to increase during the next five years. When asked what their first choice for investment would be in Latin America, 15% were in favor of Mexico, 32% were in favour of Brazil, and 23% in favour of Argentina. As table V indicates, by September, 1996, there have been numerous Asian investment activities in Mexico during recent years, especially in manufacturing industries but also in commerce and services.

The explanation for this phenomenon is linked with the changing relations between Mexico and the United States. Since the beginning of negotiations about over a North American Free Trade agreement, Mexico became an important milestone for the US market. Hence, as expected, investment flows to Mexico heavily increased and were concentrated on the more industrialized areas in northern and central Mexico.¹³

¹³ 516 out of 562 investment activities of Asian-Pacific firms (92%) were concentrated in industrialized areas, 54% of those in the area of Mexico City (SECOFI, Sept. 1996).

**Table V: Total Number of Asian Pacific Direct Investment
(by Sept.1996, including joint ventures)**

	Japan	South Korea	„Three Chinas“	South-East Asia	Australia	Total
Agriculture	3	2	2	2	0	9
Mining	5	0	2	0	12	19
Manufacturing	163	82	48	14	20	327
Construction	3	0	2	0	1	6
Commerce	88	95	84	12	6	285
Transportation and Communication	3	0	0	0	0	3
Finance	14	0	8	1	4	27
Total	279	179	146	29	43	674

Source: SECOFI 1997, 8

Japan still was the most important Asian player during this period, with the lion share of 76% of total Asian direct investment in Mexico, followed by South Korea with 19% (Secofi 1997, 9). In 1995, the total stock of Japanese direct investment in Mexico reached almost US \$ 3 billion distributed among approximately 300 firms, and representing 4.7% of total direct investment in Mexico. From 1989 until 1994, there was an increase of about 80% of total Japanese direct investment in Mexico. While in 1990, 60% of Japanese direct investment had been concentrated in manufacturing, this percentage increased to more than 80% during the period between 1989 and 1996 (Secofi 1997; Japanese Foreign Ministry). However, whereas in the past, Japanese firms had still invested in important production plants aimed at their own national economy, the percentage of those investments was now steadily decreasing. As the Mexican analyst Luís Rubio states *„growing Japanese investment in Mexico has been determined largely by its U.S.strategy rather than by any attempt to tap the Mexican market itself.“* (Rubio 1996, 91). Especially in the *maquiladora* industry there has been a significant increase.

Apart from Japanese investment, especially Korean business activities were of further importance to Mexico. According to the Bank of Korea, after the first direct

investment in Mexico in 1986, there were 21 more cases of direct investment from Korea, amounting to US \$ 66 million (Taik-Hwan Jyoung 1997, 17f.). However, when comparing this data with Mexican sources in table V, it becomes obvious that most of the Korean investment was managed through Korean representatives in the United States. For example the *Samsung* chaebol made a direct investment of US \$ 420 million in manufacturing facilities close to the US border and both *Daewoo* and *Lucky Goldstar* are currently realizing investments of similar importance (Taik-Hwan Jyoung 1997, 18f.; Gutiérrez 1997). These manufacturing plants were almost exclusively designed to produce goods for northern markets as well as those investments originating from the three Chinas and South-East Asian countries. The driving force behind the proliferation of Asian manufacturing plants along the US-Mexican border was a combination of two factors. The first was the increasing competition between the US and Asian manufacturers in their fight for the US market. The second was the creation of NAFTA (Székely 1993, 161).¹⁴

One positive result of this development has been that the new manufacturing sites had to comply with the rules of origin as embodied in NAFTA as long as they were using extraregional components. In the way, Asian investment often contributed to increase in higher value added production and to better standards of production in Mexican industry (Rubio 1996, 89). At the same time, while NAFTA turned Mexico into a much more attractive investment site, it had no effect on Mexican direct diversification in Pacific Asia. Instead of spreading Mexican economic relations to different regions, Asian investment tied the Mexican economy even closer to that of the United States. Under such conditions, it would have been advisable to increase the purchasing power of the Mexican people in order to create the environment necessary for diversification to have a real effect. Thus, by making the internal Mexican market itself more attractive, it would have been possible to induce Asian investors to make

¹⁴Yet it is interesting to observe that Asian firms have hardly participated in the privatization process of the Mexican economy because they feared pressure from the United States. For example, „*the giant conglomerate Nihon Telephone and Telegraph (NTT) decided not to bid for Teléfonos de México concerned that, if it succeeded in gaining control of a leading Latin American Service firm, businesses in the United States would complain that Japan itself should open its own market to this type of investment*“ (Stallings / Székely 1993, 16).

their calculations without NAFTA. However, the neoliberal reforms of the eighties and nineties, as well as the adjustments after the Tequila Crisis, resulted in a drop in real income for the greatest part of the population. This had a demotivating effect on foreign business, which was no longer interested in an extension of investment activities aimed mainly at local markets.

As we have tried to show, attempts at economic diversification toward the Asia Pacific Region have, on the whole, been disappointing. This seems to be somehow contradictory to Mexican diplomatic activities in recent years. President Salinas and his successor, Ernesto Zedillo traveled to Asia several times, and numerous to the Asian Pacific Region have been made by the Foreign and Finance Ministers as well as the Minister of Trade and Commerce. Likewise, Asian heads of state have paid more visits to Mexico than ever before. Chinese President Yang Shangkun, President Roh Tae Woo from South Korea, Prime Minister Mahathir from Malaysia, Senior Minister Lee Kuan Yu from Singapore and former President Suharto from Indonesia made their first official visits to Mexico at the beginning of the decade. And since Mexico became a member of APEC, in 1993, there have been even more occasions for bi- and multilateral meetings.

But there were few points of contact other than economic issues. Mexican administration under Salinas did not promote traditional Mexican *tercermundismo* and, with the Mexican membership in the OECD, Mexico left the Group of 77. Thus, political relations with Indonesia and Malaysia, both promoters of a new South-South cooperation, could not gain in importance.¹⁵ Instead, some East Asian governments, such as the People's Republic of China and Malaysia, increasingly perceived Mexico as a competitor, both for direct investment from the US, and also as exporter to the US (Ariff 1996). With China, diplomatic relations have only been superficially friendly. China supported Mexico's membership in APEC, and the Mexican foreign ministry has supported the Chinese application for membership in the WTO, even if the Ministry of Trade and Commerce has been more sceptical about this issue, be-

¹⁵This could have been the reason why the Mexican application of becoming a member of the ASEAN-Dialogue group was rejected in 1996.

cause of the trade conflicts between both countries. Another bilateral issue area has been Central America. Mexico had to make strong diplomatic efforts to avoid Chinese diplomatic “blackmail” when vetoing UN peace missions in Haiti and Guatemala. The Chinese only would support peace-keeping measures in these countries if they, in turn, gave up diplomatic relations with Taiwan. As mentioned before, there has also been growing disagreement over bilateral trade. And, in addition, during the last few years, there has been a migration problem. Mexico is afraid of becoming a channel for illegal Chinese immigration to the USA, which could lead to eventual friction with its northern neighbour (Mora 1997, 53). To sum up, even if diplomatic relations have been strengthened, the main issues of Chinese-Mexican relations have been embroiled in controversies over trade and migration.

Relations between Japan and Mexico stayed friendly during the first half of the nineties, but were based mainly on economic issues. There were neither opportunities to create an important political alliance between Mexico and Japan, nor was there any special interest on the Japanese side. The trade conflict between the US and Japan, as well as the problematic security situation in Pacific Asia, still played too dominant a role in Japanese foreign policy. Japan would hardly risk a deterioration of its relations with the US by supporting Mexican attempts at political diversification.

Regarding multilateral cooperation with the Asia Pacific, Mexico became a member of the Pacific Economic Cooperation Council (PECC) at the end of the eighties and, more important, of the Asian Pacific Economic Cooperation (APEC) in 1993. However, its position in both organisations, was neither clear nor effective. On the one hand, its membership in APEC was warmly welcomed by traditional foreign policy elites. They regarded membership in APEC as an instrument for political diversification. On the other hand, due to its trade deficit with the Asia Pacific, the Mexican government has recently allied itself with the “anglophone“ group in APEC consisting of Australia, New Zealand, Canada and the United States. These countries favor a deeper institutionalization of transpacific trade and investment aimed at opening up the Asian markets. This attitude, however, has been criticized by traditional Mexican foreign policy elites. In their opinion, an alignment with the

above-mentioned group would connect Mexico even closer to the United States, thereby losing the chance of intensified political cooperation with most of the Asian nations in APEC, who are not interested in accelerating the liberalization process. Yet in the internal decision process, Mexican technocrats from the Ministries of Planning, Finance and Trade and Commerce who have a different vision of Mexican foreign policy, could count on presidential support, and have been able to overcome this criticism. The result has been an intralite conflict over the Mexican-Pacific Asia policy, and over foreign policy in general. This was especially true during the Salinas and Zedillo administrations.

As several Mexican researchers have argued, two different positions coexisted in Mexican foreign policy during the nineties. One was pragmatic and economically oriented to the United States in order to fulfill its goal of making Mexico a First World Country. The other, currently the weaker one, is traditional and ideologically driven. Its supporters advocate looking to other regions and using multilateral diplomacy as their main tool (González/Chabat 1996, 42). The practical outcome of this conflict, during the first half of the nineties, was organizational confusion. No political institution could take clear responsibility for designing a coherent Asian Pacific strategy without others trying to undermine it. As a result, highly qualified arguments and policy propositions of Mexican academic think tanks did not have much impact on Mexican policy. Instead, organizational units, responsible for foreign policy design were often concentrated on internal bureaucratic conflicts, connected with political and economic transformation. The great exception to this way was Mexican foreign policy towards the USA. With regard to Asia Pacific, this process had special consequences, since it resulted in an inefficient connection between governmental agencies and transnational actors, making it nearly impossible to overcome the structural barriers of diversification explained in chapter 2.

5. Conclusion

As we have tried to show, Mexico's new interest in enhancing its political and economic relations with the Pacific Asia area stemmed from two factors. First, internal and external transformation shaped this process. Second, the traditional diversification approach of Mexican foreign policy, developed to overcome the US preponderance in Mexican politics, influenced its attempts at strengthening ties with the region.

At first sight, the absolute intensification of economic and political links with Asian Pacific economies and governments during the nineties might suggest that these attempts at diversification have been to a certain extent successful. However, a deeper analysis, which concentrates on the actual spreading effect of diversification, leads us to a different conclusion. The original intent had been to upgrade the importance of ties between Mexico and the Pacific Asia in relation to its ties with the United States. However, actual developments achieved the exact opposite of what was originally intended. More than ever before, during the consecutive administrations of Miguel de la Madrid, Carlos Salinas de Gortari and Ernesto Zedillo, the United States became the dominant factor in Mexican foreign policy. The relative weight of other regions of the world declined. In the specific case of Asia Pacific, the failure of Mexico's attempts at diversification can be explained by the overall lack of maneuvering space, that Mexican foreign policy makers had and by the new intra-elite arrangements.

A number of factors led to the narrow leeway that Mexico had for diversification. First, there was the overall framework of cultural and historical distance between Mexico and Pacific Asia. Then, the export structures on both sides were not particularly compatible. This was especially true in the case of non-traditional Mexican exports, as can be seen when one compares Mexico with the developing Asian Pacific economies. Finally, there were the effects of NAFTA and the absence of political connecting points apart from connections through trade and investment. As we have shown, the unilateral liberalization of the Mexican economy distributed market

penetration costs unequally between Asia Pacific and Mexican firms. Finding difficult markets in Asia Pacific, with complex distribution channels for potential products of the non-traditional export sector and with little support from governmental agencies, Mexican entrepreneurs preferred to look northward. Here, there was less cultural distance, more market knowledge and NAFTA promised to guarantee long lasting business relationships. At the same time, Mexican governments did not explore possible, political connection points related to the economic alliance built between the developing countries of Asia Pacific and Mexico. Such connection points seemed contradictory to the strategy of aligning Mexico with and integrating it into the First World.

The last argument is of a different nature than all the other explanations for Mexico's lack of success in diversification towards Asia Pacific and deals with the changing elite settlement in Mexican politics (Faust 2000a: 218-223). It would be too easy, however, merely to blame structural variables and not examine the preferences of the political players involved. One must therefore ask why it is that the Mexican government has not made much of an effort to set up an efficient coordination system in order to promote the strengthening of economic and political ties with Pacific Asia. So that we may understand his aspect of Mexico's frustrated attempts at diversification in the Pacific Asia, we must look at the new strategic elite who came to power under De la Madrid and Salinas de Gortari. Highly homogeneous in their attempts to change the development model without allowing deeper democratization, the new political elite used foreign policy as an instrument to protect the economic transformation process against internal pressures of the democratic opposition and against old autocratic elites. In changing the rule of intra-elite consensus, and transforming the mechanisms of power distribution within the regime, they had to rely on macroeconomic success and external help. In this context, Mexican foreign policy during the last few years has mainly been driven by internal factors. If one compares Mexico to other countries of Latin America, which were also dominated by neoliberal technocrats, one can see that the Mexican elite was much more inward-oriented than the Chilean one, for example. In Chile, the new development model

was already accepted by the largest part of the population and the political class, so the strategic-making elite could be more outward-oriented, and concentrated its efforts on promising areas like the Pacific Asia (Faust 2000b). This was impossible in Mexico because the technocratic elite had to concentrate most of its resources on legitimizing economic and political transformation (Centeno 1994). The Mexican government, therefore, faced a dilemma. It had to choose a strategy of concentration, motivated by an inward-oriented foreign policy approach, and a strategy of diversification, deriving from terms imposed by the external environment. As we have argued, especially the Salinas government opted for the concentration strategy - an institutional alignment with the United States through NAFTA. This made it nearly impossible for the excluded regime fractions to change the rules of the game which were set up by the neoliberal technocracy. The United States, mainly interested in stability and economic reforms, slipped into the role of defender of the new model, a role which Asia Pacific never could have played. The importance of this alliance between the US government and the new political elite of Mexico could be observed during the economic crisis in 1994 and 1995, when the Clinton administration pushed through an international rescue package for Mexico of more than US \$ 50 billion. Under such circumstances, Pacific Asia played only a minor role in Mexican foreign policy. The importance of this area was reduced to the rhetorical highlighting of the old ideas of diversification, in order to calm those groups who were opposed to a stronger alignment with the United States, and in order to attract direct investment aimed at the modernization of the industrial sector in a market driven economy.

It is still not predictable to which extent the newly appointed government will adjust its policy towards Pacific Asia. In the first place, president Vicente Fox has to concentrate on the internal political situation. Therefore, a fundamental change in Mexican foreign policy is hardly to be expected. Secondly, it is very probable that the need to pursue the current economic policy will be an impediment to substantial changes in foreign policy making. The United States hold, and will continue to hold a preponderant position in Mexican policy considerations. A third factor however, is the appointment of Jorge Castañeda as foreign minister which augurs well for future

attempts at diversifying external relations. In the past, Castañeda always called for a widening of political and economic ties on the international level. Whether his conviction will have a positive impact on the relations with Asia-Pacific depends on two factors. It is still not clear whether Castañeda considers Asia-Pacific worthy of being an important target of diversification policy. And, it also remains uncertain whether his influence in the cabinet will be strong enough to impose his ideas.

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N° 217

Attempts of Diversification: Mexico and the Pacific Asia.

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