

Mexican automotive industry at NAFTA renegotiation: The influence of public and private alliances in trade policy.

ABSTRACT

The global political and economic uncertainty has generated the participation of different interest groups increasing their influence in determining the trade policy of countries. During the renegotiation of North American Free Trade Agreement (NAFTA) between 2017-2018, the private sector in Mexico developed two types of alliances, first implementing a formal structure through the Cuarto de Junto or Side Room as the consulting group for the federal government and second, establishing a strong relationship with its counterparts in the United States. The objective of this study is to identify actors and interest groups that emerged in the renegotiation of NAFTA, the creation of alliances and relationships among groups and finally, the influence of these groups in Mexico-United States trade policy. It is a qualitative study with exploratory and descriptive approach. For collection of information we used a literature review and semi-structured interviews with key informants mainly, representatives of the private sector in México.

Keywords: Business – government relationships; political strategies; policy; institutions

INTRODUCTION

The renegotiation of NAFTA foretold by then-U.S. presidential candidate Donald Trump in 2016 – then initiated in 2017 and completed in 2018 with the U.S.-Mexico-Canada Agreement (USMCA) – spurred interested parties, naturally, to try to influence the outcome. U.S., Mexican, and Canadian chambers of commerce, among many other private-sector actors, mobilized resources to preserve the agreement. Others lobbied to make significant modifications. The modifications concerned (and, as they are being debated currently, still concern) a variety of provisions: rules of origin, government procurement, settlement of disputes over investor-state relations and invocation of trade-remedy laws, and more. A curious aspect of the renegotiation and the lobbying for it is that they take place in a political-economy environment transformed by the very agreement being renegotiated. North America, and particularly the United States and Mexico, has become a site of tightly integrated production processes spanning the partner countries. How does NAFTA-induced integration affect the politics of NAFTA renegotiation?

A conventional political-economy perspective on the coalitions doing the lobbying and the reception they receive from political actors will help to address the question. But its helpfulness is limited by post-NAFTA realities. The convention is to see politicians weighing the dispersed interests of consumers, who are also voters, against the concentrated interests of domestic producer alliances. It is to see alliances organized by class or industry that are effective depending on the degree of inter-industry mobility of domestic productive factors.¹ But the real circumstances of the renegotiation have at least as much to do with cross-border producer alliances as with domestic ones; and at least as much to do with international mobility of intermediate and final goods via “global value chains” (Gereffi et al., 2005) as with inter-industry domestic factor mobility.

To wit, not only have interested parties like the U.S., Mexican, and Canadian chambers of commerce mobilized resources to preserve NAFTA, they have done so jointly; and their motive for joint action is seen in their emphasis, in one way or another, on the imperative of “supply chain security” (e.g.

U.S. Chamber of Commerce and American Chamber of Commerce of Mexico 2011, *passim*). For purposes of understanding NAFTA's renegotiation, the conventional perspective needs augmenting.

Our perspective in this study emerges from posing and answering three more specific sets of questions. First, who are the leading actors in the public and private spheres undertaking binational cooperation to influence Mexico-U.S. trade policy? Second, how have alliances and networks of cooperation been built between the public and private sectors in Mexico and the United States to influence NAFTA and finally, how have these alliances and coalitions influenced trade policy between Mexico and United States? To answer these questions we will focus in the context of NAFTA renegotiation through the automotive industry. The study is qualitative with descriptive focus on formal and informal structures of trade-policy lobbying, the actors that participate, and the policies they seek to influence. The geographical units of analysis are regional (Mexico-U.S.) as well as national. Data collection comprises review of secondary information sources, including mainly printed documents, databases, articles, books, projects and studies related to trade policy in Mexico and United States region. We used semi-structured interviews and conversations with key actors in both, public and private sectors.

LITERATURE REVIEW

Trade policy in Mexico: The automotive industry case.

The automotive industry in Mexico has become one of Mexico's most dynamic and important sectors in the country. It is considered one of the top drivers of the national economy, contributing to 3% to GDP in 2016. The automotive industry is represented by production of light vehicles, autoparts and heavy vehicles. The production of heavy vehicles grew three times since the crisis of 2009 and the production of auto parts continues growing. Autoparts are the most important automotive export. Mexico is the seventh largest manufacturer and the third largest exporter of light vehicles behind Japan and Germany. Mexico contributed 4.2% of the world production and more than 82% of the production goes to the export market (AMIA, 2018; OBGR, 2017; ProMéxico, 2016; Secretaria de Economía, 2017a & 2017b). Today, Mexico hosts 24 auto makers, with locations in 24 states, mainly in the central and north part of the country (CLAUT, 2018).

For understanding the development of the automotive sector, it is important to consider some elements in México that contributed to the success of this industry mainly with the location of original equipment manufacturers (OEM) and company suppliers called Tier 1 and Tier 2, practically all the world players are present in the countryⁱⁱ. The competitive advantages of Mexico such as the availability of qualified and technical labor force, competitive operational costs, agreements and treaties with more than forty five countries worldwide, privileged geographical location near the US market, an integrated supply chain and export experience from many years have been determinants for the arrival of foreign direct investment and the success of the automotive industry. However, a key factor in shaping the development of Mexico's auto industry besides the competitive advantage to produce in Mexico was the country's industry-specific trade policies (ProMéxico, 2016;).

In Mexico, the transition from a protected and closed economy to an open one, determined the consolidation of the automotive industry in the country in the long term. The first plant automaker Ford was installed in the country in 1925, subsequently would be General Motors and Chrysler in the 1930s. In this period of time, cars sold in Mexico were imported or manufactured with foreign components in the plants located in the country taking advantage of the benefits offered the local labor force and of course its excellent geographic location. The trade policy of the Mexican Government was governed by a series of laws and federal decrees that forced the foreign carmakers to pay duties for the import of inputs to be incorporated into the production processes. The National Decree promulgated in 1947 ruled these aspects. Subsequently, the Mexican Government issued the Decree of 1962 with the strategy of import substitution as a way to protect the national economy and increase the competitiveness of the local industry. What happened was the arrival of more foreign companies without getting raise competitiveness expected from local companies that it was the original goal of the Mexican Government (Klier & Rubenstein, 2017; ProMéxico 2015).

Later in 1983, the trade policy of the country was focused to promote the export capacity of Mexico through different programs. This policy of openness encouraged carmakers and other industries to

improve their plants and modernize to compete worldwide, which would later join the North American automotive industry. The foregoing, was formalized with the Decree of 1989 allowing import of inputs while exports were higher than imports and establishing 36% of local content production. During the 1980s, emerged the Maquiladora Program (Maquila) for cars and in 1990 the Programa Temporal para Producir Artículos de Exportación (PITEX) was created as a strategy to promote exports and increase Mexican production. Through these programs is avoided paying taxes on the import of raw materials for its subsequent assembly process with the condition of export the final product in the case of maquiladoras. Finally, in 2006 Programa de la Industria Manufacturera, Maquiladora y Servicios de Exportación (IMMEX) would focus the two previous programs in one single, administratively easier operation and permitting the export of products with inputs temporarily imported without payment of tax (Klier & Rubenstein, 2017; CEFP, 2017). To this day, IMMEX remains in force and applies to other industrial sectors of the country as in the textile.

By this time, one of the strategies implemented by the Mexican Government to participate in the international economy and liberalize the international trade was the North American Free Trade Agreement (NAFTA) signed by Canada, United States and Mexico and into effect in 1994, it is for most the starting point for the consolidation of the automotive industry as a business model for Latin America countries. The automotive industry is without doubt NAFTA's best example of success among other industries. Represented a big opportunity for investment in Mexico and increase exports of light vehicles, heavy vehicles and auto parts.

Since NAFTA, the production and export of the automotive sector has changed and the region has been more integrated than ever. The total production of light vehicles in the NAFTA region was 15.68 million vehicles in 1994, in 2017 production increased to 18.2 million vehicles (CLAUT, 2018). Specifically, the production of Mexico moved from 7% (1.12 m) in 1994 to 23% (4.1m) in 2017. In sum, vehicle production in NAFTA region increased 13.8% from 1994 to 2017. Last year, the same region produced 17.9% of the global vehicle production (OICA, 2017).

The Mexican exports are auto parts, light vehicles and heavy vehicles. From them, auto parts are the most important automotive export. In 2017 it counted 65,249 million dollars. On the other hand, Mexico is an essential link for the US automotive industry. In 2017 US exported to Mexico just auto parts counted 23,721 million dollars (CLAUT, 2018).

Lately, free trade has been the central part of the automotive public policy. Mexico has maintained a free trade and open market as the mechanism to promote competitiveness and economic development. As we mentioned before, besides NAFTA, other free trade agreements with the European Union, Asia, Central and South America facilitating the international and contributing to the growth for this industry with the location of foreign firms in Mexico and local and foreign supplier in the country. This public policy has contributed to automotive sector to integrate supply chains as one of the key elements of success in this industry. No doubt, NAFTA has created a competitive and integrated region in this industry with the support of the private sectors, associations, academia and state and federal governments.

The role of private sector in trade policy

The economic transformation of Mexico from a protectionist model of development to an open one, allowed the creation of the Coordinator of Business Organizations of Foreign Trade (COECE) in 1990. This unique organism was decisive in the relationship and cooperation between the public and private sectors in Mexico and also a determinant factor in negotiation of NAFTA. The objective of COECE was to group together in a single body different private associations, chambers and heads of sector with specific and different interests. In a short time, the COECE became a privileged and important group in the private arena.

The process of creation of the COECE began in 1988 when the federal government invited business organizations and representatives of the foreign trade field to a series of meetings to analyze the situation in the country, consider future scenarios, formulate policies and action plans for Mexico. The COECE was born from the Consejo Coordinador Empresarial (CCE) that was established in 1975. One of the first activities of the COECE was to participate in the negotiation of the North American Free Trade Agreement (NAFTA).

For the private sector, it became clear that the decisions of the negotiation of NAFTA would be carried out by the Secretariat of Commerce and Industrial Promotion (SECOFI) of the Federal Government through its negotiating team, but also argued they should participate as the specialized team of consultation in matters of foreign trade. At this time the COECE was a small group composed by the National Association of Importers and Exporters of the Mexican Republic (ANIERM), the National Council of Foreign Trade (CONACEX) and specialized sections of some Chambers of Commerce. Prior to the negotiation of the NAFTA the CEE decided to integrate to COECE all CEE's members, as a result, other organism emerged, the Business Coordinator for North American Free Trade Agreement. Table 1 describe the members of COECE.

Table 1. Members of Coordinadora de Organizaciones Empresariales de Comercio Exterior (COECE) by 1990

Confederation of Industrial Chambers in Mexico (CONCAMIN)	National Confederation of Chambers of Commerce (CONCANACO)	Patronal Confederation of Mexico (COPARMEX)	Mexican Association of Insurance Institutions (AMIS)	Mexican Council of Businessmen (CMHN)
National Council of Agriculture (CNA)	Mexican Association of Brokerage (AMCB)	National Chamber of Commerce in Mexico City. (CANACO)	National Chamber of Manufacturing Industry (CANACINTRA)	Mexican Business Council of International Issues (CEMAI)
National Association of Importers and Exporters of the Mexican Republic (ANIERM)	National Council of Foreign Trade (CONACEX)	Chamber of Commerce Mexico-Estados Unidos	Chamber of International Trade. Chapter México (ICI)	*Juan Gallardo Thurlow (President)

Source: Authors' own elaboration, based on information from Alba (1997)

For the implementation of COECE was taken similar associations in United States and Canada as reference. The U.S. had the Private Sector Advisory System which had three levels. Canada was divided into 13 industrial committees and one of general affairs. Unlike the COECE, in the United States and Canada associations members are elected by the governments of their respective countries. In Mexico, only the Advisory Committee on International Trade (CACINT) was created by the SECOFI as requested by the Senate of the Mexican Republic in 1991.

At the beginning of the NAFTA negotiations, it became clear that the Mexican Government lacked full and timely information on business realities and characteristics of the industrial sectors of the country. Therefore, the basic functions of the COECE was to elaborate studies and formulate a strategy of negotiation; advise the SECOFI in the negotiations process and establish channels of communication with various instances in the United States and society and also with Mexican businessmen. It is important to point out that the United States already had experience in negotiations of treaties and had enough of their business and industry sector information. Finally, the private sector in Mexico responded and presented studies, diagnoses and proposals of the government. The CACINT was composed of representatives of the government, private, academic, labor and agricultural sectors. The committee worked collaboratively with the COECE. The relationship between COECE and CACINT was interdependent and collaborative (Alba, 1997).

Moreover, the COECE also considered communication as one of its key functions not just in Mexico but also abroad mainly with the United States. The goal was to generate a favourable environment in the public sector, the congress, the business sector and society. In sum, the goal was to create confidence with the business sector and in some way be in constant communication with businessmen. Encourage them to address the challenges and seize the opportunities that would come to the country. Besides, CACINT had two purposes first, to communicate and let society know about its activities and progress of negotiation and second, transmit the interest and needs of the private sector to the official negotiators team. For this, teams were formed by sectors, i.e. a committee by sector. The members of the CACINT gathered monthly. For the first time in the country, it was achieved to gather information from the public and private sector about country's economy.

During the 1990s, once negotiations started among United States, Canada and Mexico it was established a strategy that remains in force today. An advisory team of the private sector for each negotiating table not by sector was defined. The SECOFI was determined that would not negotiate any issue without prior consultation with the private sector. On the other hand, consultants (private sector) needed to be close to the negotiating team of the federal government. To this day, this strategy of

partnership between private and public sector remains in the negotiations of international treaties. In the recent renegotiation of the NAFTA the mechanism of “Cuarto de Junto” is a clear example of collaboration between both sectors and the closeness to the mexican negotiating team and their counterparts outside Mexico (IQOM, 2018a; Smith, 2018).

According to data of the COECE, in NAFTA negotiation process there were organized 461 seminars, 3056 meetings and 401 studies involving full time of over 1300 high level businessmen (Alba, 2017). It is important to note that the participation of the private sector and the collaboration with the negotiating team was an initiative of the Federal Government which was well received and accepted by the business sector. It can be said that the cooperation and closeness between both sectors is stronger in Mexico than the United States and Canada. Indeed, the mechanism of "Cuarto de Junto” is unique among the members of NAFTA.

RELATIONSHIPS BETWEEN PUBLIC AND PRIVATE SECTOR

The mechanisms of communication between public and private during the renegotiation of NAFTA were very different from the original mechanisms of negotiation in the 1990s. In Mexico, “Cuarto de Junto” remained as the key strategy of consultation and dialogue with the Mexican business sector. After 20 years, Cuarto de Junto takes the original purpose of this instrument with participation of the original negotiators of the NAFTA in 1992 - 1994. From 2012 as a result of the negotiation of the Trans-Pacific Partnership (TPP), the Mexican Government began a new relationship with the private and business sector of the country. Table 2 describes the members of “Cuarto de Junto” between 2017-2018 period. This dynamic improved and strengthened activities of the private sector.

Table 2: Members of “Cuarto de Junto” at NAFTA renegotiation in 2017-2018.

Association	Name	Position
Consejo Coordinador Empresarial (CCE)	Juan Pablo Castañón	President
Consejo Consultivo Estratégico de Negociaciones Internacionales (CCENI/CEE)	Moises Kalach	General Coordinator
“Cuarto de Junto”	Eugenio Salinas	Coordinator
CONCAMIN	Manuel Herrera	President
CONCANACO	Ricardo Navarro	Vicepresident
COPARMEX	Gustavo de Hoyos Walther	President

CANACINTRA	Enrique Guillen Mondragón	President
Consejo Nacional Agropecuario (CNA)	Bosco de la Vega	President
Asociación de Bancos de México (ABM)	Marcos Martinez	President
CULTIBA	Juan Gallardo Thurlow	President
CONMEXICO	Jaime Zabudovsky	Executive President
SECOFI NAFTA IQOM	Herminio Blanco	Undersecretariat at SECOFI / NAFTA negotiation team 1994 / President
NAFTA IQOM	Sergio Gómez Lora	NAFTA negotiation team 1994/ General Director
Cámara Nacional de la Industria del Hierro y el Acero (CANACERO) (Steel) TENARIS TAMSA	Guillermo Vogel	VicePresident
PRODENSA	Emilio Cadena	CEO
Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación (INDEX)	Federico Serrano	President
Rassini (Autoparts)	Eugenio Madero	CEO
Zimat, Socia Fundadora	Martha Mejía	Founder
AMIA	Eduardo Solís	President
American Chamber (Mexico) AMCHAM	Mónica Flores	President
Confederación de Asociaciones de Agentes Aduanales de la República Mexicana (CAAAREM) (Customs)	Ricardo Zaragoza Ambrosi	President
CAAAREM (Customs)	José Antonio Vidales	ExPresident
Abogados White & Case Socios (Lawyers)	Francisco de Rosenzweig Ismael Reyes Retana	Member / Partner

Source: Authors' own elaboration based on information from Jiménez (2017) and Morales (2017).

The private sector through the CCENI proposed a formal structure that was the basis for the renegotiation of NAFTA. Several committees such as the Intelligence Room responsible to collect and generate information necessary to support the continuity of NAFTA were created to support Cuarto de Junto. Cuarto de Junto was consolidated as an instrument of dialogue and consultation which allowed the formation of alliances in two types. First, it consolidated an alliance towards the interior of the Mexican private sector with the intention of showing a single front and not individual interests. Representatives of the sectors had the opportunity to give their opinion and decisions were taken in a coordinated manner. This alliance between various sectors of the country and the government was maintained in all renegotiation. The structure that promoted the CCENI had strong support from officials with more than 20 years of experience in the public sector as well as the experts in the industrial sector. "There is so much

talent both, in the Steering Committee, Cuarto de Junto and Intelligence Room, we have very talented people in Mexico with more than 25 years working in these international issues including many former public officials" (Interview Moises Kalach, 2018).

Secondly, Cuarto de Junto decided to recover the relationship with the private sector of the United States building a great important partnership with the industrial and business sectors in the country. These relations were strengthened during all the renegotiation and allowed to be the bridge with the public sector mainly with governors and congressmen of the United States. As consequence, key alliances were created through the job of Cuarto de Junto. These binational alliances were between the National Association of Manufacturers in US and Confederation of Industrial Chambers in Mexico (CONCAMIN); Farm Bureau Insurance in US and the National Council of Agriculture in Mexico; US Business Roundtable and Mexican Council of Business; US Chamber of Commerce and CCENI. Through this structure existed a permanent communication with the American private sector "the secret was to work on issues where both parts agree and set aside where we were not instead of confronting each other" (Interview Moisés Kalach, 2018). Communication between the representatives of the private sector of both countries was through monthly meetings in the United States and the exchange of information. The purpose was to discuss sensitive chapters of NAFTA, propose alternatives, and if it was necessary to work with the person of lobbying or interinstitutional relations in the United States. This type of meetings was very important because the Mexican side had the support from their counterparts in the US. Likewise, it took advantage of the contact networks each entrepreneur had already built in the past.

According to Moisés Kalach, General Coordinator of CCENI the strategy of lobbying in the United States was a key factor in the renegotiation of NAFTA. This strategy increased the cost of the complaint against NAFTA in the United States which allowed to advance in the proposals of Cuarto de Junto to the Mexican negotiation team (government). In total, there were 300 meetings with key players in the United States: the White House (20); Senate (25); Chamber of Representatives and Media (54); Governors (50); private sector and businessmen (106), and public officials (more than 40). On the other hand, through the Texas-Mexico Trade Coalition (TMTTC) and Greater Houston Partnership,

representatives of Cuarto de Junto and mexican negotiation team managed a positive approach with Greg Abbott, Governor of Texas, Rick Perry, Secretary of Energy of USA, John Cornyn, Senator, Rolando Pablos, Secretary of State, and some representatives including Henry Cuellar from Texas. The misión of TMTC is to demonstrate the importance of NAFTA in economics and mobilizing business leaders from both sides of the border (IQOM, 2018b).

For the mexican private sector was determinant explaining the impact of NAFTA in the economies of the two countries and in particular in some states of the US. From the mexican perspective, it is important to note that in many cases like in Texas, Iowa, Wisconsin, Arizona and Michigan, US authorities did not have specific information on the economic impact of NAFTA in their states. The Intelligence Room that worked hand by hand with Cuarto de Junto was decisive in providing this information which raised the cost of complaint against NAFTA not only politically but economically.

Undoubtedly, the government is responsible for the negotiation of a free trade agreement however, if the government expects to have support and accompaniment of the private sector as consultant it is very important to understand the value of information and communication. In Mexico, the information is highly valued for the private sector. The partnership between Cuarto de Junto and the mexican Government requires a commitment by the authorities to share information that will be needed for the private sector for lobbying. The information is valuable because it allows you to be informed but also to make valuable proposals. To this day, there is confidence between the mexican authorities and the private sector about NAFTA "honestly we knew much more than our Canadian and American counterparts of the negotiation" (Interview Moises Kalach, 2018).

INTEREST GROUPS AND ALLIANCES IN THE AUTOMOTIVE INDUSTRY

The development of the automotive industry in Mexico would be not understood if not discussed the participation of associations and national bodies that represent the interests of the sector. The dynamics of the automotive industry in Mexico is represented mainly in the private sector by the Mexican Automotive Industry Association (AMIA), it was created since the year 1951 as an agency of representation and conciliation with government authorities; the National Auto Parts Industry (INA) that

emerged in 1962 and the National Association of Manufacturers of Buses, Trucks and Tractor-Trucks (ANPACT) created in 1992. The AMDA (Mexican Association of Automotors Distribution) was constituted in 1945. It has a national scope since it just represents car sales agencies and distribution in Mexico.

On the other hand, in Mexico there is a network of automotive clusters strategically located in eight states of the country. These organisms were born by the initiative of the governments of each of the states but are civil associations. Clusters are constituted by executives of business, governments and academic institutions and divided in committees and subcommittees such as supply chain, supplier development, operations, innovation, and so on. Its functions are aimed at the promotion of competitiveness and growth in the sector through collaboration, networking and synergies through the “triple propeller”. These groups work collaboratively with the AMIA, INA, ANPACT among most important agencies. "Alliances that have been successful have been through different private agencies such as Mexican Council of Foreign Trade (COMCE), INA, Maquiladoras Associations, clusters. Metalsa, as an automaker supplier Tier 1, has supported these associations to raise their voices, push and make lobbying according to the convenience of the business... for example the issue of rules of origin" (Interview Luis Ibarra, 2018).

Despite of clusters are not being part of the negotiations on international treaties such as NAFTA, the clusters are represented by AMIA, INA, ANPACT in Cuarto de Junto in NAFTA renegotiation process. The relationship of all these actors is extremely close and they have the support of the Ministry of Economy and federal agencies to look for alternatives to continue developing and consolidating the industry in the country. One of the most relevant and important tool in the Mexican Federal Government that facilitate this collaboration is the “Ley de Camaras Empresariales y sus Confederaciones” issued in 2005 and reformed in 2009. This legal instrument guarantee the participation of private sector in public policies. This law recognize chambers, associations and head of industrial, commercial, tourism and services sectors as consultants and collaborative groups to the Mexican State.

On the other hand, Mexican Automotive Associations together with the Americans and Canadians have been meeting very actively. For example, AMIA and INA belong to the Council of Motor and Equipment Manufacturers Associationⁱⁱⁱ (MEMA) in the United States. The Automotive Parts Manufacturers Association^{iv} (APMA) from Canada also participates in this Council. Even though international alliances work together to consolidate the supply chain in the NAFTA area, each party represents the interest and needs of each country in this council. These groups meet every two months or before in case of an extraordinary issue.

In the public sector, the Ministry of Economy is the government more involved with the automotive industry through programs of support, financing and promotion. The National Bank of Foreign Trade (BANCOMEXT) became the number one institution in 2017 in automotive sector financing in Mexico, allocating \$200 billion pesos portfolio across several industries in 2016. Other agencies from the federal government working together with the automotive industry are Ministry of Treasury, Ministry of Environment and Ministry of Communications and Transportation. Both, public and private sector have built a network of collaboration in relevant and shared topics.

We can say that the main interest of the participants in the automotive industry is to consolidate the supply chain in the NAFTA region. Even though Mexico has a big industry, the number of Tier 2 is not enough and the local content of the components of Tier 1 suppliers is just 10% to 30%. The trade policy of the country has generated a scenario to drive the industries from the automotive sector to competitiveness. Openness and promotion of foreign investment in Mexico has allowed the arrival of industries that far from compete have generated a collaboration with local industries to strengthen NAFTA region, not only in each of the countries.

Alliances that have helped the industry grow and become more competitive are the collaborations and agreements between companies, in other words, between the automaker and the supplier. This collaboration is not determined by the government at any level, but it is being sought by the industry itself. During the development of the automotive industry which has actually generated wealth has been the alliances between the car makers and their suppliers. "The value chain, customers and suppliers,

assemblers, Tier 1 suppliers, Tier 2 suppliers...partnerships between companies have actually generated the success in the automotive industry in North America...it is more that what we can do as an association or the government" (Interview Manuel Montoya, 2018). "Own car makers have sought the development of local suppliers to try to lower its logistics cost and integrate national components to the supply of chain these industries ' (Interview Luis Ibarra, 2018).

According to experts, these partnerships have been built throughout the development of the automotive industry and almost at the same time. Domestic and foreign companies have been working not competing but collaborating regardless of the policies of the national governments. In the 1980s, when trade policy has migrated to a policy of free trade, it was very difficult for the industry to survive in the increasingly competitive world and the arrival of foreign investment. In that period of time, alliances between industries just started and only a few saw the opportunity to grow. Examples of them are Metalsa founded in 1956 and Nematik, another successful company created in the 1980s from an alliance with Ford. Today companies are Tier 1 providers.

As mentioned earlier, in Mexico there are four associations belonging to the automotive industry even though AMIA is a very particular, and it is a pioneer promoting collaborative work through partnerships and networks. Eduardo Solís, President of the AMIA, explained that unlike Mexico where there is only one association, there are three associations that represents the interests of light automobile manufacturers in United States, and Canada has two. In United States are the Global Automakers (GA), John Bozzella as President, Alliance of Automobile Manufacturers (Auto Alliance), Jennifer Thomas as Vice President, and the American Automotive Policy (AAPC), Matt Blunt as President. In Canada there are two associations, Canadian Vehicle Manufacturer's Association (CVMA) and Global Automakers Canada (GAC). It is important to mention that because of the AMIA's initiative, the relationships and the business network with the counterparts in the United States and Canada have been strengthened. Even after closing the negotiations of NAFTA, meetings kept constant. Alliances have consolidated the automotive industry in North America (Interview Eduardo Solis, 2018).

The strategy used by AMIA, is having a closeness and permanent link with its counterparts in the NAFTA region. Prior to participate at Cuarto de Junto, AMIA had meetings with government authorities, congressmen, senators and even governors from specific zones of the US trying to create or consolidate partnerships and collaborative work. In other words, AMIA approach has enabled the association to have privileged access to information and agreements but a place to discuss the present and future of the industry with the representatives of the government. In this strategy of AMIA, the CCE has played an important role to detect the key players in United States and approaching them. In Mexico, the private sector has taken the lead in the negotiations with key authorities in United States even before to meet at "Cuarto de Junto".

To achieve the above, one of the suggestions of the AMIA to their counterparts in the United States was to form a common front with the same goal to strengthen the industry. "Here for America" has been the effort to share this objective and is today a reference for understanding the importance of the industry in the NAFTA region. "Here for America" represents in the US a coalition of industry and support for the initiatives of the producers, providers and employees of the automobile industry. Its members participate in discussions, propose, and their scope has reached the government level. John Buzella, President of Global Automakers took the initiative of this coalition that has been a very important support in the United States.

On the other hand, AMIA has based their collaborative work in four major groups in Mexico. First, AMIA maintains a close relationship with national associations such as Confederation of Industrial Chambers in Mexico (CONCAMIN), National Industry of Autoparts (INA) as well as an ongoing relationship with other business associations such as CCE and ANPACT. Second group, is the relationship with the three levels of the governments. As an example it can be mention the programme of special visits to governors that President AMIA performs once a month. The third group is associated with the academy, i.e. the approach with educational institutions and research centers in the country and abroad to go forward in the development of the sector. AMIA programs meetings with academia and research centers in Mexico every two months. The last group is the media, a very important link for being able to

transmit to civil society what is happening in the sector. These meetings are held as workshop in an informal format (Interview Eduardo Solis, 2018).

According to the private sector, the strategy of collaborative work with business associations in the country in addition to their counterparts abroad have been decisive for the renegotiation of NAFTA. The scheme of the Cuarto de Junto as a consultation mechanism is unique in the NAFTA region. The dynamic of the “Cuarto de Junto” promoted by the government but coordinated by the CCE and CCENI has helped the industry to defend their interests but above all, put pressure on the government in decision making to define trade policy of the region.

INFLUENCE OF ALLIANCESS IN TRADE POLICY

The policy of trade liberalization has been successful since it has increased trade and investment flows and has modernized the Mexican economy. The consolidation of the automotive sector in the NAFTA region is result of the supply chain integration where Mexico is the leading supplier of auto parts to the United States. Part of the success of this industry is that it is not only the exchange of goods between countries instead, countries have been working together to produce them (CEFP, 2017; Klier & Rubenstein, 2017; Secretaría de Economía, 2017; ProMéxico, 2016; Mexico Business Publication, 2017; OBG, 2018).

However, since the renegotiation of NAFTA in 2017, US authorities also aim to change country of origin rules that govern the automotive sector since 2002. Existing regulations require vehicles sold duty free within the treaty to have at least 62.5% of their value manufactured in one of the three countries. The US goal was to increase to 85% in an intention to reduce the volume of auto components imported from the outside NAFTA region even though President Donald Trump argued the regional content must be majority from US. After, nine rounds of renegotiations, Chapter Rules of origin concluded.

During renegotiation period, MEMA has supported the US administration’s initiatives to modernize NAFTA and maintain the free trade however, the association encouraged Trump administration to include the three countries in the renegotiation round tables not just a bilateral agreement (MEMA, 2018). Mexican representatives were hardly arguing and defending the implications not just for Mexico

but North America auto industry. For example, AMIA and its counterparts in Canada and US such as the Alliance of Automobile Manufacturers^v (Auto Alliance) were already lobbying to keep regulations unchanged. However, the negotiation ended with a 75% with the support of the Mexican industry and private sectors and just waiting for approval from the US Congress. INA supported the position of AMIA at the beginning, but later supported the position of the government as a big opportunity for the Mexican Industry (Interview Alberto Bustamante, 2018). “Ideally, it had stayed in 62.5% but from 75% to 85%, it will always become better 75%....it will be better for Mexico because we are going to focus on the development of regional supply chain now and we are going to strengthen as a country” (Interview Alberto Bustamante, 2018).

The government was seeking to avoid damage to the regional supply chains that since 1994 have been more integrated with Mexican companies. “It is not just a topic of duties and taxes when crossing the border, it's a chain of logistics services that is generated each time a product crosses the border before turning into a final product” (Interview Jennifer Hillman, 2018). Despite of trade liberalization has encouraged foreign investment, and not domestic investment, it has generated a competitive environment for industries. On the other hand, rules of origin at the industry sector play a key role highlighting the contribution made by each country as well as the potential opportunities to fill domestic manufacturing gaps. North America is a cluster, in which Mexico contributes low cost manufacturing, parts and products. Imposing tariffs or protecting industries would put US automakers at a competitive disadvantage affecting the final consumer. Since NAFTA, Mexico has moved to a more integrated automotive industry with its partners in Mexico and outside the country. Nowadays, the industry is working to move from just manufacturing to design and engineering. There are so many opportunities to continue consolidating the industry. Changing the dynamics of the game in NAFTA will affect the consolidation not just the automotive sector, but the free trade zone.

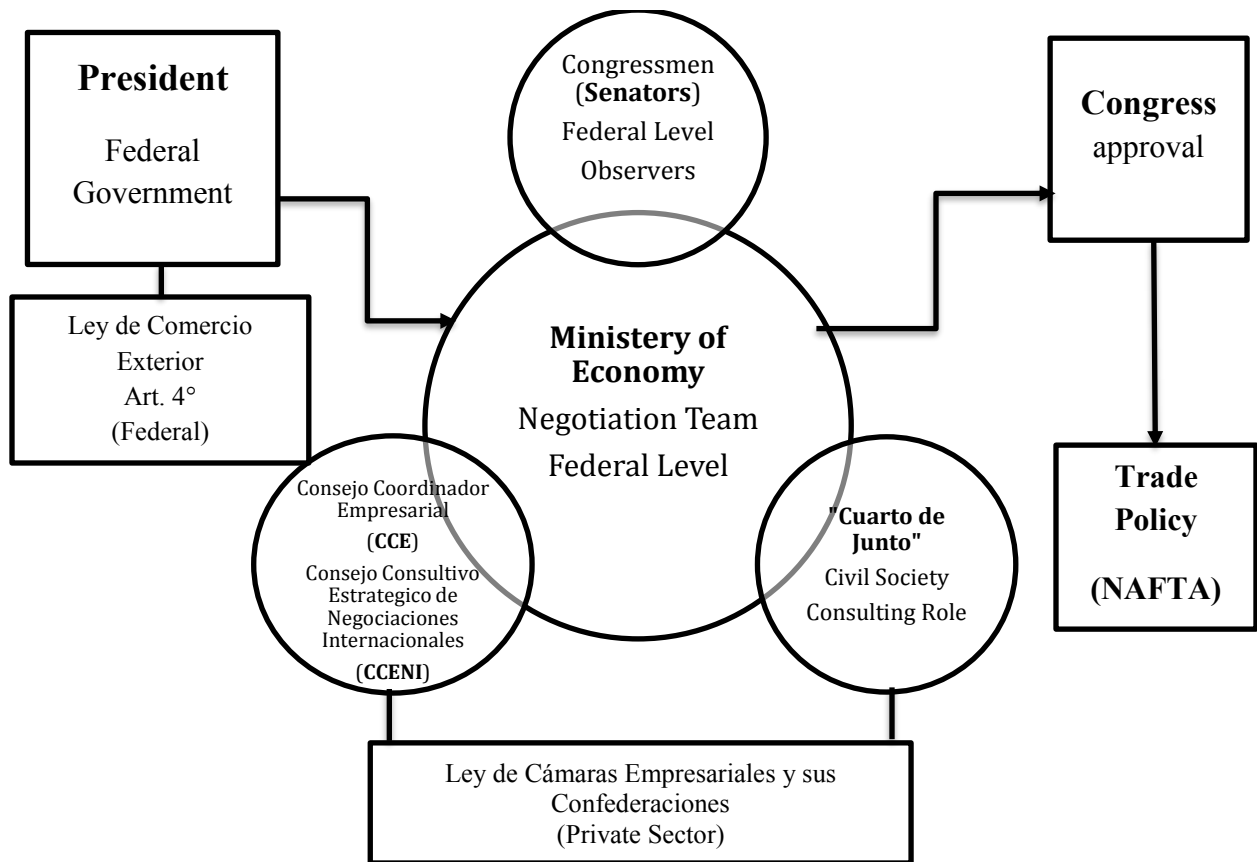
So, ¿How trade policy decisions are taken by the Mexican Government? In Mexico, decisions taken by the President are the result of the work of secretariats of Government at the federal level; working teams, and consultation to chambers of commerce, services, tourism and industry. As we mentioned

before, “Ley de Cámaras Empresariales y sus Confederaciones” (Business Law and its Confederations) issued in 2005 and renovated in 2009, obligues the federal government authorities consult the opinion of experts, representatives and leaders of the trade and industrial chambers and associations. These organizations represent, promote and defend national and international activities of industry, trade, services and tourism and they are working with the Government to achieve social and economic growth, as well as the generation and distribution of wealth (Cámara de Diputados, 2009).

Among objects of the business chambers and confederations are: to serve as consultants and collaboration in the three levels of Government to design and execute policies, programmes and instruments for the promotions of the national economic activity; to collaborate with the Ministry of Economy in international trade negotiations; to act as mediators, arbitrators and experts, nationally and internationally and finally, to engage with the Government in the design and promotion of socio-economic development strategies.

According to Ley de Comercio Exterior or International Trade Law, the Federal Government represented by the President, delegated to the Ministry of Economy (named SECOFI in the past) the works of international negotiations that will define the future of the trade policy of the country and the NAFTA region (Ley de Comercio Exterior, 2016). The negotiating team comprises Secretary of Economy and three executives of the same Secretariat with extensive experience and political background since the 1990s. Besides the negotiating team, there is a group of accompaniment of the Senate of the Mexican Republic as observers. The other groups are represented by de private sector: CEE^{vi}, CCENI, and Cuarto de Junto. Figure 1 shows interest groups participating in the formulation of trade policy in Mexico.

Figure 1. Mexico consulting process in NAFTA renegotiation



Source: Elaborated by the authors

It is important to note that lobbying in the United States has focused on two major sectors. Firstly, with the sector public: Federal Congress, Conference of Mayors, National Association of Governors, Confederation of Municipal Presidents and local universities. Secondly, the private sector: industrial and business associations by sector as for example the automotive; academics; professionals and think tanks.

In the automotive industry, INA, AMIA and ANPACT participated actively in Cuarto de Junto. Decision of the increase to the rules of origin to 75% was consulted with these associations and they endorsed the decision of the Government in the last round of renegotiation. These representatives of the national automotive industry perfectly know industry conditions and possibilities of the challenges. They present the real picture of the industry and give feedback to questions from the Mexican negotiator team.

CONCLUSION

The North America Free Trade Agreement issued represented a turning point in economic relations in the Americas and globally since it reduced the importance of boundaries in North America. It also represented the future, a blending of national legal and business cultures and traditions. NAFTA's statement of objectives is important because Canada, United States and México have agreed to interpret and apply the agreement in some important objectives. One of them, the establishment of a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of NAFTA (Folsom, 2014).

After analyzing the findings in this study we can say that coalitions, alliances, network of contacts and cooperation among interest groups is the key point to benefit from NAFTA. Interest groups are divided in two sectors, public and private. Public sector is related to federal, state and local offices and departments of government. Federal government and its representatives is responsible to defend the interest of citizens and society, and promote welfare according to the national law. On the other hand, private sector is integrated by all associations, chambers, confederations that represent the interest of industry and business. Something important to mention is that the private sector has built alliances with other groups in Mexico first, and then, with their counterparts in other countries such as the United States. These alliances have been built at the same time the NAFTA have emerged and developed. For private sector, it has been a determinant factor to build these coalition.

In Mexico, alliances between public and private sector have been positive. Partnerships and collaborative networks have been initially through the accompaniment of the different levels of the Mexican Government with industry. The government has created a climate of confidence, political and economic stability and a free trade policy. There is the institutional and legal framework to cooperate with the Federal Government. On the other, since 2017 it was crated a group of congress men to support and participate at renegotiation rounds. The dynamic that has been generated with the support of the Ministry of Economy, Consejo Coordinador Empresarial and the participation of businessmen and civil society at

“Cuarto de Junto” in the renegotiation of NAFTA has been one of the most outstanding strategy of the Mexican Government to design its trade policy.

However, it is important to note that the private sector has also created partnerships with their counterparts abroad (cross border alliances) to consolidate industrial sectors at NAFTA region. So, private sector works on two fronts, on the one hand with alliances abroad by industry or sector and on the other hand, partnerships towards the interior of the country with the Government to defend their interests.

As we can note in Mexico, alliances that are created towards the interior of the country first, and binational groups with the United States later, have permitted to define the interests of the sector and propose objectives and goals to integrate trade. This, has allowed the private sector through their representatives, make recommendations and propose initiatives as public policy to the Federal Government. To this day, there is a consensus with the direction of the Mexican trade policy.

In the particular case of rules of origin, the automotive and auto parts industry represented the interests not only of Mexico but the NAFTA region where the supply chain is highly integrated. The work with their counterparts in the United States and Canada was permanent. One of the purpose of meetings was to share information and studies of possible scenarios of the renegotiation of NAFTA. Through these partnership it was possible to gain access to other agencies and public authorities in the US. Finally agreements reflected the work reached by these alliances and despite an increase in the regional content of automobiles and auto parts, Mexico is prepared to face these changes.

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ⁱ Cf. Grossman and Helpman (1994) in respect to the calculus of political actors in relation to the interests of their constituents of different kinds, and Hiscox (2002) in respect to the unity and effectiveness of class-based versus industry-based lobbying coalitions under different assumptions about interindustry factor mobility.

ⁱⁱ Tier 1 is named to a company that supplies components directly to the OEM and it offers the most advanced processes in the supply chain. Tier 2 is the company that provides components to a Tier 1, it is less sophisticated.

ⁱⁱⁱ MEMA created in 1904 is the trade association for motor vehicle and mobility suppliers and parts manufacturers and remanufacturers in the United States. MEMA serves the industry as the voice of the motor vehicle and mobility supplier industry, speaking out on behalf of the largest manufacturing sector in the United States

^{iv} APMA is Canada's national association representing OEM producers of parts, equipment, tools, supplies, advanced technology, and services for the worldwide automotive industry.

^v Auto Alliance is the legacy representative group for the auto industry and represents 70% of all car and light truck sales in the US.

^{vi} CCE was founded in 1976, as a response of the national productive sector to the increased government intervention in the economy and the implementation of measures clearly populist. The objective is to coordinate policies and activities of the business, organizations and identify specific solutions with strategic positions, contributing to design public policies to raise the economic growth and the level of competitiveness, both private and public (CCE, 2018).