LOOKING FOR A PLATFORM IN NORTH AMERICA: TAIWAN, MEXICO AND CROSS-STRAIT RELATIONS

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Abstract:
This article compares the approach followed by Mainland China and Taiwan in their economic relations with Mexico. Both sides of the Taiwan Strait have developed an interest in Mexico as an export platform to North America and the Western Hemisphere. The Mexican influence over Central America is also valued by both Beijing and Taipei. However, due to their disparities in economic and political development, the authorities and businessmen in the mainland and Taiwan have chosen different paths to conduct their interactions with Mexico. On the other hand, the deep economic integration between China and Taiwan, particularly the important investments made by Taiwanese firms in the mainland during the past three decades, have had a considerable impact on their trade with Mexico. The latter's trade deficit with the PRC cannot be explained without the role played by enterprises from Taiwan, who continuously seek to remain competitive internationally.

Keywords: Taiwan, Mainland China, Mexico, trade, investment, Taiwan companies, globalization, NAFTA

***Título en Castellano**: Buscando una plataforma en Norteamérica: Taiwán, México y relaciones en el estrecho de Taiwán*

Resumen:
Este artículo compara el enfoque seguido por China continental y Taiwán en sus relaciones económicas con México. Ambos lados del estrecho de Taiwán han desarrollado un interés en México como una plataforma de exportación a Norteamérica y el hemisferio occidental. La influencia mexicana sobre Centroamérica también es valorada tanto por Beijing como por Taipei. Sin embargo, debido a sus disparidades en el desarrollo económico y político, las autoridades y los empresarios en el continente y Taiwán han elegido diferentes caminos en sus relaciones con México. Por otra parte, la profunda integración económica entre China y Taiwán, en particular las importantes inversiones realizadas por las empresas taiwanesas en el continente durante las últimas tres décadas han tenido un impacto considerable en su comercio con México. El déficit comercial de este último con la RPC no puede explicarse sin el papel desempeñado por las empresas de Taiwán.

***Palabras clave:** Taiwán, China continental, Mexico, comercio, inversiones, compañías de Taiwán, globalización, NAFTA*

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1. Introducción

The rise of China and its increasing interest in Latin America have been a constant subject of study in the past decade and a half. Many words have been written about the People's Republic of China (PRC) becoming the largest trading partner for some countries in the region, and one of the major investors in the sectors related with natural resources, and infrastructures to exploit and have access to them.[2]

Part of the economic growth seen in some of those countries during the ten years before 2014, particularly in cases like Brazil, could not be fully explained without the role played by China, and its need for commodities which also led to an upsurge in prices, benefiting most of the economies in Latin America.

Nonetheless, Mexico, the second largest economy in the region, did not present particularly high growth rates during those years, nor received large sums of investments coming from the PRC; at least not in the same scale or magnitude as those received by the large South American nations.[3] In fact, for most of the years between 1999-2016, Mexico attracted more accumulated investments from the smaller actor across the Taiwan Strait. Between those years, firms coming from Taiwan have invested almost 1.5 times more money than companies from Mainland China, making Mexico the largest receptor of Taiwanese productive investments in Latin America (Table 1).

Both sides of the Taiwan Strait have followed different patterns when trading and investing in Mexico; however, much of the trade between Mexico and Mainland China has been influenced by the activities of Taiwanese companies. This article aims to analyze those differences, noting that the levels of industrial development, and the role played by the state in this process, have marked the way both Taiwan and Mainland China have interacted with Mexico in the economic realm.

The role of Taiwanese companies and other small and medium enterprises (SMEs) is also considered, highlighting the fact that they have also contributed to the large imbalances in Mexico's trade with both Taiwan and the Chinese mainland.

More importantly, there is the idea that once the Mexican government began to respond to globalization challenges with an integrationist approach, investments from the largest economies in East Asia, including Taiwan and Mainland China, have been made in Mexico to use the country as a platform to export to NAFTA markets, primarily the United States.

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[2] Important studies in the field include: Blásquez-Lidoy, Jorge et al. (2006): "Angel or Devil? China's Trade Impact on Latin American Emerging Markets," *Working Paper* nº 252*,* Paris, OECD Development Center; Evan Ellis (2009): *China in Latin America: The Whats and Wherefores*, Boulder, Lynn Rienner; Fernández Alex E. and Hogenboom Barbara (eds.) (2010): *Latin America Facing China: South-South Relations beyond the Washington Consensus,* New York, Berghahn Books; Hearn, Adrian H. and Leon-Manriquez, José Luis (2011): *China Engages Latin America: Tracing the Trajectory,* Boulder, Lynne Rienner.

[3] Pérez Ludeña, Miguel (2017): "Chinese Investments in Latin America: Opportunities for Growth and Diversification," *ECLAC-Production Development Series* nº 208. Santiago, UN-ECLAC.

Table 1. Accumulated FDI in Mexico, 1999-2016 (selected countries, million USD)

Country of origin	FDI
Mainland China	484.8
Taiwan	710.8
Hong Kong	220.4
North America	
United States	213,533.9
Canada	27,479.3
Asia-Pacific	
Japan	13,412.2
South Korea	3,873.2
Singapore	1,970.5
Europe	
Spain	57,120.0
Netherlands	52,483.7
Germany	14,168.0
United Kingdom	10,446.9
France	4,440.3
Total	**464,688.8**

Source: Mexican Ministry of Economy, 2017.

The first section of the article presents an initial theoretical framework, based on International Political Economy (IPE), focusing on the state and its influence over the economic development and industrialization, highlighting the different responses to the challenges of globalization, especially the differences between the independent and the integrationist approaches, which have been implemented by Taiwan and Mainland China, on the one hand, and Mexico, on the other hand, respectively.[4] The second section analyzes the development of the so-called relationship enterprises in Taiwan, as well as their role in initiating and furthering the economic integration process between both sides of the Taiwan Strait, which later would have an impact on their investments around the world, including those made in Mexico. A third section presents the industrial evolution of Mexico since the post-war years, and some of the motivations behind the state's integrationist approach, with NAFTA as its highest expression. Integration with the other larger North American markets served the purpose to preserve and deepen industrial development in the country, although the increasing participation of firms coming from the other side of the Pacific Ocean in this process would also present an unexpected outcome.

The different patterns of investments from Taiwan and Mainland China are presented in sections four and five, analyzing the composition of their total accumulated investments, as well as their destinations, as a way to explain the intention of using Mexico as a platform, and emphasizing the nature of the differences in approaches followed by both sides of the Taiwan Strait. The sixth section goes further, reflecting on some of the cross-strait dynamics that have had an impact on the actors' investments and trade with Mexico, particularly regarding the

[4] The identification of the different independent and integrationist approaches can be found in Amsden, Alice H. (2001): *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies,* New York, Oxford University Press.

present situation, with a powerful Chinese government in the mainland, on the one hand; and a government in Taiwan controlled by a pro-independence party, but ruled by a leader following a more ambiguous approach towards Beijing, on the other. Finally, some concluding remarks are presented at the end of the article.

2. The role of the state and its different responses to globalization

The triumph of Keynesian postulates in the aftermath of World War II, underscoring the need for state intervention in the economy, not only to correct market externalities, but also as a promoter of economic growth, full employment, and social welfare, led to the construction of an international economic order described by Ruggie as "embedded liberalism." Democracy and international trade were to be the most important pillars in the new world order, but the state was to keep the prerogatives to impose controls on capital and to a semi-fixed exchange rate, as a way to maintain domestic growth and economic stability.[5]

It was under these circumstances that sates played a decisive role in the economic development experienced by countries such as Mexico and Taiwan during the decades following the end of WWII. When studying the role of state institutions in the economic growth of Japan and the East Asian Tigers, considered as miraculous, the notion of developmental state was continuously advanced during the 1980s. Following the influential study authored by Chalmers Johnson in 1982, about the role of the Ministry of International Trade and Industry and other strategic state institutions in the industrialization of Japan between 1925-1975, a large number of scholars began to work on the idea of a developmental state as a key figure in the successful stories of economic growth in the Asia-Pacific countries.[6] Similarly, other researchers noted that the phenomenon of developmental state was not exclusive of East Asia, since other regions of the world also offered experiences of important state intervention leading to industrialization, such as the "*Estado desarrollista*" in post-revolutionary Mexico, and in Brazil under Gétulio Vargas and subsequent military dictatorships.[7]

The main characteristic of a developmental state has been its autonomy from other social forces, allowing it to isolate its policymakers from the influences of the business class or from workers or peasants, but having their interest in mind when carrying its economic planning. Similarly, state institutions have the goal to reach industrialization, having an extensive set of policy tools, both fiscal and monetary, including tariff and non-tariff barriers, subsidies, credits,

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[5] Ruggie, John G.: "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization*, Vol. 36, nº 2 (1982), pp. 379-415.

[6] Chalmers Johnson (1982): *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975,* Stanford, Stanford University Press; Cumings, Bruce: "The Origins and Development of the Northeast Asian Political Economy," *International Organization,* Vol. 38, nº 1 (1984), pp. 1-40; Amsden, Alice H. (1989): *Asia's Next Giant: South Korea and Late Industrialization*, New York, Oxford University Press; Appelbaum, Richard P. and Henderson, Jeffrey W. (1992): *States and Development in the Asian Pacific Rim*, Newbury Park, Sage; Evans, Peter (1995): *Embedded Autonomy: States and Industrial Transformation,* Princeton, Princeton University Press; Leftwich, Adrian:"Bringing Politics Back in: Towards a Model of the Developmental State", *Journal of Development Studies*, Vol. 31, nº 3 (1995), pp. 400-427; Woo-Cumings, Meredith (ed.) (1999): *The Developmental State,* Ithaca, Cornell University Press; Wade, Robert H.: "Bringing the State Back In: Lessons from East Asia's Development Experience", in Dauderstadt, Michael (2005): *Towards a Prosperous Wider Europe: Macroeconomic Policies for a Growing Neighborhood,* Bonn, Friedrich-Ebert-Foundation.

[7] Haggard Stephan (1990): *Pathways from the Periphery: The Politics of Growth in Newly Industrializing Countries*, Ithaca, Cornell University Press, pp. 161-189; and, Ross Schneider, Ben: "The *Desarrollista* State in Brazil and Mexico," in Woo-Cumings, Meredith (ed.) (1999): *The Developmental State,* Ithaca, Cornell University Press, pp. 276-304.

capital controls and bailouts, among others.[8] Nonetheless, developmental states also present differences among each other, particularly regarding their attitude towards foreign investment and some of the instruments they use to pursue industrialization, due mainly to their historic circumstances and the social features they face when consolidating their power. In fact, when considering that the Latin American type of developmental state was influenced by the Dependency Theory and its encouragement of an import-substitution industrialization (ISI) model through policies recommended by the UN Economic Commission for Latin America and the Caribbean (ECLAC), the East Asian type of developmental state has been constantly referred to as the ultimate proof that countries in the periphery can overcome underdevelopment and are not condemned to depend on the central and more developed economies.[9] Therefore, historic institutionalism has been a constant theoretical body used when approaching developmental states.

However, the irruption of the concept of globalization in the study of International Relations, and of IPE in particular, understood as the diffusion of borders and the deepening of economic integration between countries, moved some scholars to predict the weakening of the state and the end of its economic influence, as opposed to the rise of multinational corporations and other transnational non-state actors. The endorsement of neoliberal thinkers to the process of globalization, led to some of them to minimize the responsibility of the state in the economic success of East Asia, recognizing only those policies concerning macroeconomic stability and the functioning of the market, but ignoring those related to strong intervention and protection of infant industries.[10] Highlighting the failures of state intervention in Latin America, leading to a decade of stagnation, the 1990s represented a triumph of globalization and a retreat from the position of the benefits of the developmental state model.

Since the end of the Bretton-Woods System and the oil shocks of the 1970s, embedded liberalism was now a thing from the past, and the endorsement of the big powers to the Washington Consensus and the promotion of free markets and free trade around the world, represented a big challenge to the state.[11] It was under this attack, that the previous differences between developmental strategies followed by states were thought to be important in their responses to globalization. In her book *The Rise of "the Rest": Challenges to the West from Late-Industrializing Economies*, Alice H. Amsden identified two set of countries who responded differently to the challenges posed by globalization.

The first group followed what the author described as an independent approach and are characterized by a state apparatus concerned with the possible threats to sustained economic growth imposed by foreign capital. Hence, they tend to design and implement policies aimed to the creation and strengthening of national champions, fortifying domestic industries through indirect means, and particularly developing local sources of technology. The countries

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[8] Ha-joon Chang (1994): *The Political Economy of Industrial Policy*, New York, St. Martin; Cumings, Bruce: "Webs with No Spiders, Spiders with No Webs: The Genealogy of the Developmental State," in Woo-Cumings, Meredith (ed.) (1999) *The Developmental State,* op. cit., pp. 61-92; Chalmers Johnson: "The Developmental State: Odyssey of a Concept," in Woo-Cumings, Meredith (ed.) (1999): *The Developmental State*, op. cit., pp. 32-60.
[9] Prebisch, Raúl (1950): *The Economic Development of Latin America and Its Principal Problems*, New York, United Nations; Haggard, Stephan, op. cit., pp. 9-49; Ross Schneider, Ben, op. cit., pp. 276-304.
[10] World Bank (1993): "The East Asian Miracle: Economic Growth and Public Policy." *A World Bank Policy Research Report*, New York, Oxford University Press; Krugman, Paul: "The Myth of Asia's Miracle," *Foreign Affairs*, Vol. 73, nº 6 (1994), pp. 62-78; Boyer Robert and Drache, Daniel (1996): *States against Markets: The Limits of Globalization*, New York, Routledge; Hirst, Paul M. and Thomson, Grahame (1999): *Globalization in Question: The International Economy and the Possibilities of Governance*, Cambridge, Polity Press.
[11] Williamson John and Kuczynski Pedro (eds.) (2003): *After the Washington Consensus: Restarting Growth and Reform in Latin America*, Washington, DC, Institute for International Economics.

following this type of approach welcome foreign investments, though not indiscriminately; therefore, identifying strategic niches, where they would limit the participation of foreigners or encourage the formation of joint ventures with domestic public or private firms. Those states try to avoid transnational corporations using their territories as merely assembly shops, looking for the latter's investments to ultimately lead the transference of technology and, through continuous public investment in R&D, achieve an independent creation of technologically advanced goods.

The second group identified by Amsden followed an integrationist approach, having in mind the potential benefits of fully inserting their economies into the globalizing trends. These countries opened their markets to foreign goods and foreign investments, observing the premise that it was the only way their domestic producers could absorb the more advanced practices from the already industrialized economies, by exposing themselves to the world market and the outside forces. Looking themselves in a more disadvantaged position, the integrationist states welcomed foreign investments in most of the industries, assuming that technology transfer would come inevitably, hence limiting themselves to attract capital from abroad. The arrival of transnational corporations was seen as complementary to the existing domestic firms, and job creation was seen as one of the goals of a more limited state intervention in the economy.[12] By integrating themselves to a globalized economy, these states thought they would be better prepared to attract capital and maintain a healthy economic growth vis-à-vis the other more interventionist countries.

Those different reactions to globalization, the independent and the integrationist approaches, are valuable concepts that help us understand the different dynamics followed in the economic relations between countries, in this case, between Mexico and the players on both sides of the Taiwan Strait. In her analysis, Amsden mentioned that Taiwan and Mainland China reacted to globalization through an independent approach, while Mexico, following the prevailing trend in Latin America, responded with an integrationist approach.[13] As we will see below, these differences in industrialization and economic development paths, and the state responses to the challenges imposed by globalization, have been influential in determining the type of investments and trade relations developed between the actors in our study.

Furthermore, the 2000s brought new developments for globalization. The relatively fast recovery from the 1997 financial crisis of the East Asian states observing an independent approach, and the rapid growth in some of the countries following an integrationist approach, due in part to high international commodity prices, moved scholars to talk about the increasing importance of emerging markets in the world.[14] These views were strengthened after the outbreak of the economic crisis in the United States and Western Europe in 2008-9. Following the neoliberal recipe of tight fiscal discipline, many European firms found themselves in a

[12] Amsdem, Alice H.: *The Rise of the Rest*, op. cit., pp. 278-283.
[13] Ibid.
[14] One of the examples of the increasing interest in emerging markets has been the story of BRICS, a group of nations composed by Brazil, Russia, India, China and South Africa. Starting as a mere acronym suggested by Goldman Sachs chief economist Jim O'Neill, in 2001, it refers to the developing economies that would grow to eclipse the position played by Western developed nations, mainly because of their vast populations, territories, and/or natural resources. International investors soon continued pouring their money into those countries. Other acronyms encompassing other emerging markets have also been proposed, although with much lesser success. At the same time, the leaders of BRICS have seized the moment and have taken steps towards the formation of their own multilateral institutions, designed to put pressure on the West for the update and modernization of international organizations, giving them a larger voice in the decision-making process. Ian Bremmer: "The Mixed Fortunes of the BRICS Countries, in 5 Facts," *Time,* 1 September 2017, at http://time.com/4923837/brics-summit-xiamen-mixed-fortunes/

weaker position to continue their investments, both at home and abroad; and American corporations were also more cautious in their plans of expansion. This situation contrasted with those firms from Asia, particularly those from the countries that followed an independent approach to globalization, who soon became important investors across the world, filling part of the vacuum left by companies from developed nations.[15]

The slower economic growth in the West was combined with an increased sense of insecurity, particularly in countries where communities of immigrants with different cultures and resistant to integration started being more visible, hence making the concept of globalization to enter a new stage, with mounting calls for protectionism in those countries that once were the staunchest promoters of globalization. After the unexpected victories of the Brexit movement in the UK, and Donald Trump in the US, the voices against a sustained and indiscriminate economic liberalization have become louder, and the new administration in Washington has made states in Europe, East Asia and other parts of the developing world nervous about the future of the WTO and other institutions that are crucial for the maintenance of globalization. For those reasons, a reversal in a globalized world economy could also represent a big change for trade between both sides of the Taiwan Strait and Mexico, particularly after many Taiwanese enterprises have regarded the latter as an export platform in North America, as it will be observed in the following sections.

3. Taiwan relationship enterprises and cross-Strait interactions

During the 1990s, the Taiwan model was praised internationally not only for having achieved high economic growth rates, but also for improving the population's income distribution and decreasing inequality, as opposed to other developing countries who experienced sustained economic growth periods, but also saw a rise in economic disparity.[16] One of the explanations offered for this situation was the prevalence of small and medium-sized enterprises (SMEs) in different industries of Taiwan, which based their success in exporting their goods to the rest of the world. The developmental model followed by the state in Taiwan was one that combined a large part of the economy dominated by state-owned companies, with an even larger part composed by thousands of vibrant and flexible SMEs.[17] One of the most accepted explanations for this situation is political in nature.

The existence of a rival regime on the other side of the Taiwan Strait, made the Kuomintang (*Guomindang*, or KMT) to exercise an important control over the country's finances, and to promote the creation of a large public sector in the economy, with state-owned corporations controlling strategic industries, as a way to place loyalist mainlanders on the top, reinforcing its image as a legitimate representative of China. By controlling the banks, the government made sure that no individual firm, particularly those under the hands of ethnic Taiwanese, grew to the point of representing a threat to the state interests. Loans were used to encourage private companies, first to acquire foreign technology and other inputs not produced locally, during the ISI stage (1949-1958), and later to encourage them to export their products

[15] According to a study by ECLAC, between 2003 and 2013, FDI outflows from developing countries went from 7 % to 31% of the world total, with China being responsible for most of that growth. Miguel Pérez Ludeña, op.cit., p. 9. An extensive analysis of those trends can also be found in Sauvant, Karl P. (ed.) (2008): *The Rise of Transnational Corporations from Emerging Markets: Threat Or Opportunity?* Northampton, MA: Edward Elgar Publishing.

[16] See. Kuo, Shirley W.Y., Ranis, Gustav and Fei, John C.H. (1981): *The Taiwan Success Story: Rapid Growth with Improved Distribution in the Republic of China*, Boulder, Westview Press; and Amsden, Alice H. and Chu Wan-Wen (2003): *Beyond Late Development: Taiwan's Upgrading Policy*, Cambridge, The MIT Press.

[17] Minns John (2006): *The Politics of Developmentalism: The Midas State of Mexico, South Korea and Taiwan,* New York, Palgrave-Macmillan, pp. 199-210.

once the domestic market was becoming saturated, during the export-led growth stage (1960-1979). The strict observance of the government credit policy led to the proliferation of small and medium-sized enterprises, mostly managed by ethnic Taiwanese as opposed to the public sector in the hands of Chinese mainlanders, and to the development of an informal financial network, also known as curb market.[18]

Having limited funds to grow and develop economies of scale, Taiwan's industrial firms based their expansion in personal relationships, contrasting to the experience of Western countries, with an atomized competitive market composed by firms and impersonal relations. As different studies have shown, one of the effects of the Taiwan model of industrialization was that of the relationship enterprise (*guanxi qiye*), which tends to be likened to a pyramid. Instead of having developed large corporations under the control of single families through state support, as chaebols in South Korea or Keiretsu in Japan, Taiwan saw the rise of medium- to large-scale firms on the top, who could flexibly increase or decrease their capacity by subcontracting operations to small and medium firms in the base of the pyramid.[19] Hundreds of thousands of small companies, employing fewer than ten people, and most of them with family or friend connections, became the basis for the success of Taiwan's industrialization.[20]

Relationship enterprises were able to successfully produce and export manufacturing goods through a system based on subcontracting part of the process to smaller related companies. This phenomenon contributed to the effective development of supply chains, where small firms dedicate themselves to use simple technology to participate in a step of the production process, perhaps producing the most basic parts, while larger firms specialize in making more complicated parts or steps, which are later consumed by the larger firms, known as parent companies, having the capacity to produce complex products and managing their allocation in domestic and foreign markets. Cooperation between firms could be vertical or horizontal, and subcontracting could also be internal and external.[21] In all the cases, Taiwan's parent companies increased their competitiveness and attractiveness among foreign buyers, by offering fast flexibility and adaptability, as compared to other exporting countries.[22]

The impossibility for Taiwanese parent companies to absorb the smaller firms, and to become large conglomerates, made it very difficult for them to develop their own brands. Most of their success was based on receiving orders from foreign buyers, who ultimately sold the goods produced by local firms under their own trademarks, particularly American and Japanese brands. This was especially the case in textiles and apparel, but also in other light industries, such as toys and bicycles. However, through policies implemented by the developmental state in Taiwan, and particularly since the authorities placed an important emphasis on the development of technology-intensive industries after 1979, the Taiwanese relationship

[18] Lin C.Y. (1973): *Industrialization in Taiwan, 1946-1972: Trade and Import Substitution Policies for Developing Countries*, New York, Praeger; Myers Ramon H.: "The Economic Development of the Republic of China on Taiwan, 1965-1981," in Lau Lawrence J. (ed.) (1990): *Models of Development: A Comparative Study of Economic Growth in South Korean and Taiwan*, San Francisco, ICS Press, pp. 17-63.
[19] Hshueh, Li-min, Hsu, Chen-kuo and Perkins Dwight H. (eds.) (2001): *Industrialization and the State: The Changing Role of Taiwan Government in the Economy, 1945-1998*, Cambridge, Harvard University Press, pp. 96-102.
[20] Amsden, Alice H. et al. (eds.) (1992): *Taiwan's Enterprises in Global Perspective,* Armonk, M.E. Sharpe.
[21] Levy, Brian: "Transaction Costs, the Size of Firms and Industrial Policy: Lessons from a Comparative Case Study of the Footwear Industry in Korea and Taiwan," *Journal of Development Economics*, Vol. 34 (1991), pp. 151-178.
[22] Fields, Karl: "Is Small Beautiful? The Political Economy of Taiwan's Small-Scale Industry," in Kim, Eun Mee (ed.) (2008): *The Four Asian Tigers: Economic Development and the Global Political Economy*, Bingley, Emerald, pp. 159-182.

companies were able to upgrade their production, and eventually innovate technologically, becoming extremely competitive in the development of inputs, such as integrated circuits or semi-conductors.[23] Likewise, important Taiwanese brands in technology goods have been developed during the last couple of decades, such as Acer, Asus, and HTC, while contract-manufacturing conglomerate, Foxconn, has become a leader in the production of computers and other mobile communication devices for world-class brands, including Apple, BlackBerry, Google, and Nintendo.[24]

On the other hand, when industrial wages in Taiwan raised rapidly and other developing countries in Asia were pursuing policies to increase their industrial capacity, relationship firms began to think on foreign expansion as a way to remain competitive, particularly during the mid-1980s. As it was expected, most of them felt lured by the chances of profit offered by the opening of the mainland Chinese market. During the following years, and despite the limitations imposed by the Nationalist government in the island, Taiwan became the second largest source of foreign direct investment in China, right after Hong Kong. And when we realize that many of the Taiwanese firms interested in investing in the mainland went through the former British colony, then we can see the big push for Chinese export-led growth offered by Taiwanese companies.[25]

Taking advantage of a common cultural and language heritage, and exploiting their historical family origins in the mainland, mostly in the southern part of Fujian, hundreds of Taiwanese firms started to invest in Mainland China, replicating the successful strategies they followed years before in the island. The creation of Special Economic Zones was aimed to attract that kind of investment, and in many parts of the country, the Chinese government was willing to offer Taiwanese investments a domestic treatment, encouraging more parent companies to move part of their subcontracting operations to the mainland.[26] Foreign buyers who were also interested in exploiting the incentives offered by the authorities in the mainland, as well as having access to a large consumer market, urged their Taiwanese partners to start operations in the other side of the strait.[27]

The survival and continuous success of the Taiwan relationship enterprises was now considered to depend on expanding their operations in new locations, mostly but not exclusively in the Chinese mainland. The larger countries in Southeast Asia were also seen as attractive destinations to invest, although most of the firms continued to believe they were in an advantageous position when making business in China. The Taiwanese government was successful in its independent approach when responding to the challenges of globalization, encouraging the creation of thriving technology companies, and converting the island in one of

[23] Yuan-li Wu (1985): *Becoming an Industrialized Nation: ROC's Development on Taiwan*, New York, Praeger; Ying-yi Tu: "The Electronics and Information Technology Industries," in Li-min Hshueh, Chen-kuo Hsu, and Dwight H. Perkins (eds.) (2001): *Industrialization and the State: The Changing Role of Taiwan Government in the Economy, 1945-1998*, Cambridge, Harvard University Press, pp. 267-292.
[24] Pun Ngai and Jenny Chan: "Global Capital, the State, and Chinese Workers: The Foxconn Experience," *Modern China*, Vol. 38 (2012), pp. 383-410.
[25] Edward S. Steinfeld: "Cross-Straits Integration and Industrial Catch-Up: How Vulnerable is the Taiwan Miracle to an Ascendant Mainland?" in Suzanne Berger and Richard K. Lester (eds.) (2005): *Global Taiwan: Building Competitive Strengths in a New International Economy*, London, M.E. Sharpe, pp. 228-279.
[26] See Chia-Ho Ching and Tsu-Lung Chou: "The Cross-strait Effects: Differential Regional Industrial Clusters," in Reginald Yin-Wang Kwok (ed.) (2011): *The Second Great Transformation: Taiwanese Industrialization in the 1980s-2000s*, Taipei, Chengchi University Press, pp. 123-156.
[27] Steven A.Y. Lin: "Roles of Foreign Direct Investments in Taiwan's Economic Growth," in Peter C.Y. Chow (ed.) (2002): *Taiwan in the Global Economy: From an Agrarian Economy to an Exporter of High-Tech Products*, London, Praeger, pp. 79-94.

the largest producers of semiconductors and laptop computers in the world, among other technology-intensive goods. However, it could not impede that large sums of investments kept flowing to the rival regime on the mainland.[28]

Reality has forced the government in Taiwan to loosen its regulations concerning economic interactions with mainland China, initiating a process that culminated with the negotiation of the Economic Cooperation Framework Agreement (ECFA) in 2010. However, this process has not been exempted from the turmoil in domestic politics. The most recent case was the government failure to ratify the Cross-Strait Service Trade Agreement (CSSTA) in 2014, after it could not stop popular mobilizations against the accord led by students, known in the media as the Sunflower Movement, who opposed the treaty on the grounds of national survival. Presented as an instrument which, among other benefits, would facilitate the return of previous Taiwanese investments made on the mainland, the Ma Ying-jeou (Ma Yingjiu) government could not rally enough public support for this cause.[29] The increasing sense of state paralysis and economic distress among many young Taiwanese had an impact on the triumph of the Democratic Progressive Party (DPP) candidate, Tsai Ing-wen (Cai Yingwen), in January 2016.

The new situation of cross-Strait relations after the arrival of Tsai has been considered critical, especially if we consider that bilateral dialogue has been inexistent for more than one year already, after the new president has been unwilling to recognize the so-called "1992 Consensus" as the guiding principle in the relations between Taiwan and Mainland China.[30] The effectiveness of the reinvigorated "Southbound Policy," encouraging Taiwanese investors to look more to the countries in South and Southeast Asia, as a way to divert the current dependence on the mainland, has already been questioned by different experts and scholars within and outside the country. However, it is certain that Mainland China remains the major destination for the outflows of Taiwanese investments, and that it would take many years to dismantle the cross-Strait supply chains being developed for almost thirty years, when the first Taiwan relationship enterprises moved some of their operations to the mainland.[31] Therefore, when we analyze the economic links of both sides of the Taiwan Strait with the rest of the world, it is important to keep in mind the Taiwanese relationship enterprises. This phenomenon is even more evident when analyzing the case of Mexico, as it will be seen in the following sections.

4. Mexico's development and the NAFTA factor

The Mexican Revolution weakened the country's 19th century dominant classes, giving way to a fairly autonomous state with the capacity to mobilize large segments of the population, mainly workers, peasants, and state bureaucrats. The post-revolutionary *Estado desarrollista*, under the rule of a hegemonic party, the Institutional Revolutionary Party (PRI), developed relatively successful industrial policies, leading to a period of rapid economic growth for more than thirty years (1940-1970). Despite sharing a strong emphasis on the role of state-owned enterprises, and a state dominated by a single party, the ISI model followed by Mexico differed from that of Taiwan in the sense that the former could not implement a successful export-led growth

[28] Yu-han Chu: "The Political Economy of Taiwan's Mainland Policy," *Journal of Contemporary China,* Vol. 6, nº 5 (1997), pp. 229-257.
[29] Ming-sho Ho: "Occupy Congress in Taiwan: Political Opportunity, Threat, and the Sunflower Movement," *Journal of East Asian Studies*, Vol. 15 (2015), pp. 69-97.
[30] Maeve Whelan-Wuest: "Former Taiwan president Ma on One China, the 1992 consensus, and Taiwan's future" *Order from Chaos, The Brookings Institution*, (March 2017), at https://www.brookings.edu/blog/order-from-chaos/2017/03/16/former-taiwan-president-ma-on-one-china-the-1992-consensus-and-taiwans-future/
[31] Official data from the Ministry of Economic Affairs Investment Commission of the ROC, 2017.

strategy to compensate for the saturation of the domestic market, nor was in full control of banking and other financial institutions, hence encouraging public and private firms to look for investments and credits abroad. When the model began to show signs of exhaustion in the late 1960s, the Mexican government deepened the intervention of the state in the economy, confronting itself with a capitalist class who was no longer as weak and docile as that from the 1930s.[32]

The Mexican developmental state continued achieving high rates of growth for twelve more years, not without problems, since it had to face two major financial crises that increased the domestic and external pressures to liberalize the economy. The two administrations between 1970-1982 relied heavily on foreign debt to make the economy grow, expanding the sector dominated by the state, and starting in 1977, postponed the liberalizing measures by gambling on the rapid development of an exporting oil industry, which would lead Mexico to "*administrar la abundancia*," as it was once put by President José López Portillo. When international oil prices dropped and interest rates in the US increased in 1982, Mexico became the first country to default on its huge foreign debt, inaugurating in Latin America what was later known as 'the lost decade.'[33]

International financial institutions, mainly the World Bank and the IMF, offered their help, but also imposed strict conditions on the Mexican government. The traumatic experience of furthering state intervention and confronting an increasingly vocal capitalist class led to the eventual prevalence of government officials with a neoliberal mindset, popularly known as technocrats. Holding Masters and Ph.D. degrees in finance and economic theory from prestigious American institutions, this new generation of bureaucrats deepened what Amsden identified as an integrationist approach. Since the Mexican state has historically been characterized for its low ratio of tax to GDP, the government was unable to control the banking system as other developmental states did, and welcomed foreign capital to invest in the country, although with important restrictions during the years of the *Estado desarrollista*. The lack of effective controls, due in part to a large land border with the largest capitalist economy in the world, made capital flight a common malady to the country, particularly during the 1976 and 1982 crises, further weakening the position of the state when negotiating with its foreign creditors.

Therefore, a deeper integration with the world economy was seen by technocrats as the only solution to the many problems accumulated in the country for almost fifteen years. Despite being nationalized in 1982, a new government moved to deregulate the financial sector and to gradually re-privatize the banks. In 1986 Mexico entered the GATT, and hundreds of state and para-state companies were privatized during the administrations of Miguel de la Madrid (1982-1988) and Carlos Salinas de Gortari (1988-1994). The limits to foreign ownership of enterprises was dropped in most of the industries, under the idea that transnational corporations would push domestic firms to modernize, enabling them to be more competitive by absorbing superior ways and more effective practices.[34]

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[32] See Raymond Vernon (1963): *The Dilemma of Mexico's Development: The Role of the Private and Public Sectors,* Cambridge, Harvard University Press.
[33] Gabriel Székely (1983): *La Economía Política del Petróleo en México, 1976–82*, Mexico City, El Colegio de México; Edward F. Buffie, "Mexico, 1958–86: From stabilizing development to the debt crisis," in Sachs Jeffrey D. (ed.) (1989): *Developing Country Debt and the World Economy*, Chicago, University of Chicago Press.
[34] Nora Lustig (1998): *Mexico: The Remaking of an Economy*, Washington, DC, Brookings Institution, pp. 143-169.

As a way to ensure that new neoliberal policies could not be reversed by any successor, hence showing the Mexican government commitment to macroeconomic stability and a welcoming environment for FDI, the new generation of technocrats conceived the idea to negotiate a free trade agreement with its northern neighbor and largest consumer market in the world.[35] An FTA with the United States would put Mexico in an advantageous position vis-à-vis other industrializing economies, offering zero-tariffs for its products and a strategic geographic location, with just a few hours away from the thriving markets of California and Texas. The North American Free Trade Agreement, which was also joined by Canada, was conceived to put Mexico in a better position to compete for the attraction of foreign investments, particularly against the capital-hungry former Socialist countries in Eastern Europe, the other recovering nations in Latin America, and the rising dynamic economies in Asia-Pacific.[36]

Negotiations ended in late 1992, and the agreement was implemented starting on 1 January 1994, after being ratified by the national parliaments in the three countries. The first export processing zones in Mexico, known under the name of maquiladoras, were opened in 1964; however, they began to proliferate after NAFTA came into force. Following this treaty, the Mexican government continued its integrationist strategy by negotiating further FTAs with other developed and developing regions in the world. Nowadays, according to official data from ProMéxico, Mexico has entered free trade agreements with 44 countries, representing 67% of the world GDP, and carrying 90% of its foreign trade under those treaties. For the government, the most important agreements after NAFTA were those signed with the European Union and Japan. The goal of those negotiations was to continue attracting investments from more developed and industrialized nations, as a way to ensure continuous flows of technology imports, which could make Mexican exports more competitive, particularly in the North American market.

Once the neoliberal reforms gained ground, the Mexican state was in no position to develop an independent approach to globalization, having few resources to dedicate to domestic R&D, the way developmental states in East Asia did in the past. Therefore, FTAs were seen as a better way to import technology from other countries, although few mechanisms were designed to encourage technology transfer to domestic producers.[37] More than two decades after the NAFTA implementation, despite mixed results, when looking at the numbers of manufacturing exports in Latin America, we can see that Mexico was able to maintain its industry, representing around 60% of the total manufactures exported by the countries in the region. Similarly, Mexico is the only large Latin American country where manufacturing goods represent a majority of its total exports, with the official figure up to 70%, as contrasted to 33% in Brazil, and 31% in Argentina.[38] Hence, NAFTA can be seen as an instrument that helped Mexico avoid the deindustrialization process taking place in other parts of the region. However, even when the process of deindustrialization was avoided, a process of industry denationalization occurred.[39] It means that, in spite of the important industrial growth seen in the country during the last two decades, most of it was related to multinational firms who were mostly interested in using Mexico as an export platform to the United States, lured by its low

[35] Clement, Norris C., et al. (1999): *North American Economic Integration: Theory and Practice*, Northampton, Edward Elgar, pp. 279-316.
[36] M. Ayhan Kose, Guy M. Meredith, and Cristopher M. Towe (2004): "How has NAFTA affected the Mexican economy? Review and evidence." *IMF Working Paper WP/04/59,* Washington, DC, International Monetary Fund.
[37] Sebastian Edwards: "Openness, trade liberalization, and growth in developing countries," *Journal of Economic Literature*, Vol. 31, nº 3 (1993), pp. 1358–1393.
[38] ECLAC (2012): *Statistical Yearbook of Latin America and the Caribbean 2012*, Santiago, UN-ECLAC.
[39] Amsden, Alice H.: *The Rise of the Rest*, op. cit., pp. 278-283.

wages and proximity to the largest consumer market in the world, rather than contributing to the development of local technology, or to promote the strengthening of the domestic market.

The opening of the Mexican economy, and its transformation into an assembler of export goods, coincided with the process of Taiwanese relationship enterprises looking for foreign markets to expand their operations and remain competitive in the world economy. Nonetheless, for most of them, Mainland China continued to be their preferred location to invest. The first years of NAFTA, after a new financial crisis by the end of 1994, and a consecutive US-sponsored bailout, high growth rates were again experienced by the Mexican economy. However, the first decades of the 21st century presented the challenge of a slow economic growth, due in part to China's accession to the WTO in 2001. Right after joining the trade organization, China became the second largest trading partner of the United States, sending Mexico to the third position. In fact, in the present decade, the Asian giant has also displaced Canada, becoming the US largest trading partner.[40]

The rise of China overshadowed expectations of Mexican policymakers, reinforcing the fears of domestic firms about a possible flood of Chinese manufactured goods into the local markets. Mexico was the last country to give its consent to China's entry into the WTO, after months of bilateral negotiations resulting in multiple prerogatives for the Mexican side, for at least fifteen years, including Mexico's opposition to grant market-economy status to its Chinese counterpart.[41] On the other hand, the authorities' neoliberal position opposing any attempt of state intervention or direction in the economy, through the implementation of any type of industrial policy, has led to a lack of creation of effective supply chains in many industries in the country. This situation is contrasting with that of Mainland China, where the opening of the economy was complemented with a government policy encouraging technology transfer and the successful development of domestic supply chains. Those phenomena help us understand the different approximations to trade and investments from Taiwan and Mainland China in Mexico.

5. Taiwanese investments and trade relations with Mexico

Since NAFTA entered into force, most of the FDI flowing to Mexico from Asia-Pacific has corresponded to Japanese firms. Japan has become the largest investor in Mexico from that region, followed behind by South Korea. The large conglomerates from these two countries, that managed to build world-renowned brands in different industries, particularly electronic machinery, devices and cars, among others, were interested in moving some of their assembling operations to Mexico, as a way to gain easier access to NAFTA markets, mainly the United States. The arrival of Japanese investment to the country was of particular importance, due to their ties with Taiwanese companies and the supply chains they developed since the 1960s and 1970s. Many of the firms from Taiwan investing in Mexico were following Japanese and American partners, who encouraged them to open shops or factories in the country, ensuring an immediate response to the needs of the new maquiladoras they were installing close to the US border.[42]

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[40] Official data from the United States Census Bureau, 2017.

[41] De la Calle Luis: "China en la OMC: Espejo para México," *Foreign Affairs en Español*, Vol. 2, nº 3 (2002), pp. 152-161.

[42] Ancelovici Marcos and McCaffrey Sara Jane: "From NAFTA to China? Production Shifts and Their Implications for Taiwanese Firms," in Berger Suzanne and Lester Richard K. (eds.) (2005): *Global Taiwan: Building Competitive Strengths in a New International Economy*, London, M.E. Sharpe, pp. 166-193.

The competitiveness that Taiwanese relationship enterprises had gained on specific industries during their country's export-led growth, specifically in sectors such as textiles and apparel, and plastic manufactured goods, made possible to start investing in those same industries in Mexico. Similarly, after the 1985 Plaza Accord, which had the effect to appreciate the New Taiwan Dollar (NTD), as well as other East Asian currencies, primarily the Japanese Yen, and due to the constant pressures by American officials to rebalance trade and decrease its surplus in the bilateral trade, firms in those countries needed to find new locations to invest, in order to preserve a continuous access to the American market.[43] By opening the US market to Mexican exports, NAFTA had the effect to attract those Taiwanese firms who were following the path traced by their major partners in Japan.

On the other hand, Taiwanese conglomerates who were transitioning from Original Equipment Manufacturers (OEM) to Original Design Manufacturers (ODM), also began to develop certain interest in investing in Mexico as a result of NAFTA. In 1995, Taiwanese computer designer and manufacturer, Acer, was one of the first large companies to open an assembly plant in Ciudad Juarez, in the state of Chihuahua, looking also to move some of the managing operations to neighboring El Paso, Texas. The decision was made following a successful business incursion in Mexico City, where they opened an office to sell their products in the country, finding a high level of acceptance and making Mexico its largest market in Latin America during those years. However, it was not a smooth initial experience for that firm, or other ODMs that followed suit. Cultural and social differences, particularly when dealing with labor issues, public safety, and local politics, presented serious challenges for many Taiwanese companies investing in Mexico.[44] Those kinds of obstacles tended to reinforce their preference for investing in Mainland China, where they shared a common historical and cultural background, even making investors feel they possessed an advantage over competitors from other countries, including Korean and Japanese firms.[45]

Nonetheless, when analyzing the accumulated flows in Mexico between 1999-2016, investments from Taiwan highly surpass those from Mainland China, being that the case for most of those years (Table 1). Taiwanese investments tended to be concentrated in a few industries, with more than 90% of total investments going to the manufacturing sector, 5% to the commerce industry, and the rest going to the service industry, mainly those related to real estate and professional, scientific, and educational services (Table 2). This pattern reflects the need of large Taiwanese relationship enterprises to use Mexico as a platform to enter the North American markets, and to remain competitive in the world. In fact, when we look at the composition of the accumulated investments in the manufacturing sector, the subsectors that received more investments are those where the Taiwanese firms have been more competitive internationally, and where they have become world leaders. According to Mexican official figures, investments from Taiwan in the production of computers and communication equipment, represents 72% of the total accumulated investments, and 78% of the total investments in the manufacturing sector (Table 3). More than half of the total accumulated investment in the country went to the production of computers (63%), and were largely made by Taiwanese OEMs and ODMs, including Foxconn, and other important brands as Acer, Asus, and Gigabyte, followed by many other SMEs. Minor investments in this subsector also went to

[43] Li-min Hshueh, Chen-kuo Hsu, and Perkins Dwight H. (eds.), *Industrialization and the State,* op.cit., pp. 96-102.
[44] See Tawei Lee, David et al. (eds.) (1997): *Hands Across the Pacific: Creating a Win-Win Situation in Taiwan-Latin America Relations*, Taipei: Sinorama.
[45] Chia-Ho Ching, and Tsu-Lung Chou, op. cit., pp. 135-141.

the production of communication devices, primarily cellphones and tablets, and the production of parts and components used in the assembly of electronic devices (Table 4).

Table 2. Composition of Accumulated FDI from Taiwan in Mexico, 1999-2016
(Million USD)

Sector	FDI
Mining	0.7
Construction	-3.3
Manufacturing	659.2
Commerce	40.4
Real Estate Services	6.7
Professional, Scientific, Technical Services	7.2
Booking Services	0.4
Business-related Services	-0.7
TOTAL	**710.8**

Source: Mexican Ministry of Economy, 2017.

Table 3. Accumulated FDI in Manufacturing from Taiwan in Mexico, 1999-2016
(Million *USD*)

Subsector	Millions USD
Food	0.3
Textiles	38.3
Apparel	62.5
Leather (shoes)	1.0
Chemical	1.2
Plastics	13.1
Metal products	0.3
Machinery and equipment	0.8
Computers and telecom equipment	513.3
Power generation equipment	12.4
Transportation equipment	0.2
Furniture	0.3
Others	14.4
TOTAL	**659.2**

Source: Mexican Ministry of Economy, 2017.

On the other hand, there is a large number of SMEs, counted in the hundreds, whose investments in Mexico are related to the retailing sector. Taking advantage of their vast experience in exporting their products and selling them across the world, Taiwanese businessmen have also invested in Mexico expecting to commercialize different goods in the domestic market, either importing them from Taiwan or Mainland China, or producing them locally. Since most of them are family-owned business, following the traditional composition of firms in the island, their capacity to invest in Mexico is not the same as those big conglomerates or parent companies within the structure of the Taiwanese relationship enterprises. Therefore, a large sum of those investments, around US$ 32.2 million between 1999-2016, has been directed to the commercialization of perfumes, jewelry, and cosmetics; and about US$4.4 million during the same period, was invested in the sale of sport equipment, toys and discs, among other manufactured goods.[46]

When observing the places of destination of Taiwanese investment in Mexico, the idea of Taiwanese relationship enterprises using the country as a platform for manufacturing goods is reinforced. Of the total accumulated investments from Taiwan in the analyzed period, the states of Chihuahua and Jalisco, together, concentrate 73%, with the former concentrating almost half the total. The state of Chihuahua, the one with the largest territory in the country, shares a large border with Texas and New Mexico, making it very attractive to those interested in exporting their goods to the United States. The state government has also been characterized for offering further incentives to foreign investment, besides those offered by the federal authorities. Ciudad Juarez has traditionally been an important place for the development of maquiladoras, and it has received huge investments from Taiwanese giants Acer and Foxconn, who opened factories there. The latter also set up two plants in the nearby district of San Jerónimo, across the border of New Mexico.[47]

Table 4. FDI from Taiwan in Computers and Communication in Mexico, 1999-2016

(Million USD)

Branch	Millions USD
Computers	451.1
Communication devices	46.7
Audio-video parts	0.1
Electronic device parts	15.4
TOTAL	**513.3**

Source: Mexican Ministry of Economy, 2017.

On the other hand, investments in Jalisco, in Western Mexico, are explained for the strong manufacturing industry in the state, and the state government efforts to develop its capital city, Guadalajara, into a "Mexican Silicon Valley." The opening of industrial parks, with many incentives for the use and creation of technology-intensive goods, has attracted companies from all over the world, including those from Taiwan.[48] Correspondingly, the other states concentrating the accumulated Taiwanese investments, with the exception of Sinaloa, are predominantly industrial states. Taiwanese business have been interested in going there, mainly because important maquiladoras of apparel and TV sets are located in the Northern border region (Baja California and Sonora); the more important automakers have plants in the industrial corridor known as the Bajío (Guanajuato and Aguascalientes); and other important domestic manufacturers have large factories in central Mexico (the metropolitan area encompassing Mexico City and the State of Mexico, where almost a third part of the national

[46] Official data from the Mexican Ministry of Economy, 2017.

[47] Martínez Prado Hérika: "Centra Foxconn sus operaciones en Jéronimo," *Norte Digital de Ciudad Juárez*, (October 7, 2014), at http://nortedigital.mx/centra-foxconn-sus-operaciones-en-san-jeronimo/

[48] Gallagher Kevin P. and Zarsky Lyuba (2007): *The Enclave Economy: Foreign Investment and Sustainable Development in Mexico's Silicon Valley*, Cambridge, The MIT Press, pp. 139-157; Ortiz Barrera, Manuel A. et al.: "Knowledge Management as a competitive tool for Contracted Electronic Manufacturers in Guadalajara, Mexico," in Sánchez Gutiérrez, José (ed.) (2015): *The Challenges of Competitiveness*, Guadalajara, Universidad de Guadalajara, pp. 11-25.

population lives). This supports the view of investment flows from Taiwan going into the Mexican manufacturing industry, hence thinking about it as a platform to the larger North American integrated economy (Table 5).

Table 5. Distribution of Accumulated FDI from Taiwan in Mexico, 1999-2016

(Million USD)

State	FDI
Chihuahua	305.1
Jalisco	215.2
Mexico City	47.2
Sonora	40.9
Sinaloa	35.6
Baja California	27.5
Guanajuato	22.9
State of Mexico	10.9
Aguascalientes	1.2
Others	4.3
TOTAL	**710.8**

Source: Mexican Ministry of Economy, 2017.

During 2016-2017, investments from Taiwan and other countries have been delayed, or simply stopped, because of the rhetoric of then-Republican candidate and now President of the US, Donald Trump. His constant threats to renegotiate or terminate NAFTA created concerns among international investors planning to continue or expand their operations in Mexico. Negotiations began in the second half of 2017, and despite the positive comments made by officials in the three countries about clarity in the points to be updated within the treaty, the unpredictability characterizing Trump makes investors to wait for the final outcome of negotiations, to be supposedly concluded in 2018, before continuing to invest in Mexico.[49] This has also been very clear for the case of investment flows from Taiwan, which have slowed their pace since mid-2015.

6. Chinese investments and trade relations with Mexico

Investments in Mexico from Mainland China have shown a different pattern from those coming from Taiwan. Economic reforms implemented since the arrival of Deng Xiaoping to power have led the PRC to become the largest economy in the world, with almost four decades of sustained growth. Studying the industrialization experiences from the neighboring countries in East Asia, particularly Japan, South Korea, and Taiwan, the government in the mainland also followed an independent response to the challenges of globalization, promoting the creation of diversified conglomerates, mainly under the influence of the state, though it also welcomed the arrival of FDI, ensuring the access to its huge market of more than a billion consumers. The incorporation of private entrepreneurs as a new pillar of the Chinese Communist Party (CCP) at the late 1990s, under the leadership of Jiang Zemin, and the reforms to state-owned enterprises (SOEs), encouraging them to follow more profit-oriented mechanisms, moved

[49] Notimex: "A finales de Agosto, renegociación del TLCAN, estima Guajardo," *Excélsior*, 26 April 2017, at http://www.excelsior.com.mx/nacional/2017/04/26/1159858/

Chinese companies to start investing abroad in large quantities.[50] Overseas direct investments were seen as a powerful tool to increase economic gains, as well as to have better access to foreign markets, ensuring a continuous flow of commodities, mainly from emerging economies, and absorption of technology, mainly from developed nations.

By reinforcing the role of Mexico as an assembler of technology-intensive products and an export platform to the United States, NAFTA placed the country in a competitive position vis-à-vis China.[51] Both countries share a significant similarity in the composition of their exports, making them competitors in the world markets, particularly in North America. Therefore, Mexico did not fit in the investment plans of Chinese large corporations in the same way other Latin American countries did. The PRC has become an important source of investments and credits in countries like Argentina, Brazil, Ecuador, Peru, and Venezuela, among others, mostly driven by its companies' appetite for the latter's natural resources. Similarly, the turn to the left by most of the national governments in South America, during the first decade of this century, made China an attractive alternative to the financial institutions from the West, who are typically reluctant to grant extensive loans to states opposing neoliberal views.[52] For the case of Mexico, there is also an important percentage of mainland Chinese investments going to extractive industries, in an attempt to diversify its sources and increase its companies' participation and influence in the world markets (Table 6).

Table 6. Composition of Accumulated FDI from Mainland China in Mexico, 1999-2016

(Million USD)

Sector	FDI
Mining	104.3
Power Generation	31.0
Construction	20.6
Manufacturing	134.4
Commerce	94.4
Transportation	0.5
Financial Services	53.9
Real Estate Services	5.9
Professional, Scientific, Technical Serv.	32.2
Booking Services	0.2
Healthcare Services	0.1
Tourism-Related Services	7.1
TOTAL	**484.8**

Source: Mexican Ministry of Economy, 2017.

The accomplishment in Chinese industrial policies to create national champions in a great variety of sectors, has made China's investments in Mexico to be more diversified than those

[50] See Rodríguez, María Teresa (2007): *Agricultura, industria y desarrollo económico. El caso de China*, Mexico City, Ministry of Foreign Relations.
[51] Gallagher Kevin P. and t Porzecanski Rober (2010): *The Dragon in the Room: China and the Future of Latin American Industrialization,* Stanford, Stanford University Press, pp. 70-75.
[52] Palacios, Luisa: "Latin America as China's Energy Supplier," in R. Roett, and G. Paz (eds.) (2008): *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*, Washington, DC, Brookings Institution Press, pp. 170-192; and Pérez Ludeña, Miguel, op. cit.

arriving from Taiwan, which are predominantly focused in the manufacturing sector. Between 1999-2016, the total accumulated investment from Mainland China was equivalent to 68% of the total FDI from Taiwan, although it has been much more significant in sectors where Taiwanese investments have not typically flowed to. From the accumulated US$484.8 million of Chinese investments during the period of study, around 28% has gone to the manufacturing sector, 21.5% to the mining sector, 19.5% to commerce, 11% to financial services, and the rest to other sectors, including professional, scientific, and technical services, power generation and construction, among many others. Investments in the manufacturing sector have also been more diversified than those coming from Taiwan, also due to the success in the industrial diversification policies implemented by the authorities, both at the national and provincial levels, in the PRC. From the total accumulated investment in the sector, around 26% goes to the manufacturing of computers and communication equipment, 21% to transportation equipment, 20% to chemicals, 10% to apparel, and the rest to other minor subsectors (Table 7).

The successful process of industrial diversification in China is also reflected in the places of mainland FDI destination within Mexico. Different from Taiwanese investments, concentrated in predominantly industrial states, investments from the PRC tend to be more disperse across the Mexican territory. The capital, Mexico City, being the financial center and the seat of many transnational corporations investing in the country, with a more developed business infrastructure, has attracted 37% of the total accumulated investments. However, the rest of total investments is distributed following the same pattern between sectors, with industrial states as Jalisco and Nuevo León, receiving similar amounts as states living from extractive industries, such as Durango and Tabasco. Having the largest maritime port in the Pacific Ocean, where most of Chinese imports enter the country and natural resources are exported to Asia, the state of Colima has also received the second largest amount of investments from China, representing almost 12% of the total accumulated FDI from that country (Table 8).

Table 7. Total FDI in Manufacturing from Mainland China in Mexico, 1999-2016 (Million USD)

Subsector	FDI
Apparel	13.1
Chemical	26.3
Plastic	7.3
Mineral Non-metallic products	1.0
Machinery and equipment	2.2
Computers and Telecom equipment	35.3
Power generation equipment and parts	2.0
Transportation equipment	28.6
Furniture	1.0
Others	3.4
TOTAL	**134.4**

Source: Mexican Ministry of Economy, 2017.

Despite the dismantlement of most of Mexico's *Estado desarrollista* policies and the abandonment of effective industrial policies, the Mexican government remained committed to support the automaker industry in the country. During the past few decades, Mexico has consolidated its position as one of the ten largest producers of transportation vehicles in the world, particularly passenger cars, and it was the fourth largest exporter of cars in 2016, having the US as its major export destination. The government has put great efforts to attract investments from the largest automaker corporations in Europe and Japan, who have responded positively, building assembly plants in the country. Authorities have also tried to convince those companies to upgrade their operations in the country, as a way to ensure that more value-added activities are being developed in Mexican soil. Chinese companies, on the other hand, having shown an impressive performance in this sector during the last three decades through the formation of joint ventures with experienced multinational corporations, have also poured investments into the Mexican automaker industry, particularly in the manufacturing of auto-parts (Table 9). The manufacturing of transportation vehicles is one of the few industries where the government has encouraged the successful creation of domestic supply chains, hence making it an attractive destination for investments from Mainland China.[53] Similarly, new important investments were announced in 2017, with the opening of plants in Mexico by large Chinese automakers, such as JAC Motors, and other emerging brands.[54]

Table 8. Destination of Chinese Accumulated FDI in Mexico, 1999-2016 (Million USD)

State	Millions USD
Mexico City	178.4
Colima	56.5
Jalisco	38.1
Nuevo León	36.8
Durango	30.9
Tabasco	29.7
Others	114.4
TOTAL	**484.8**

Source: Mexican Ministry of Economy, 2017.

Likewise, a Mexican sector which has increasingly attracted investments from Mainland China is mining. However, this sector has been unable to receive the same amounts it has attracted in the large South American economies, particularly Peru.[55] One of the variables that helps explain this contrast is precisely the implementation of NAFTA, as well as other FTAs signed by Mexico with other developed nations. The existence of those instruments encouraged large investments in mining and other extracting activities by big corporations from Canada, the United States, and Western Europe. There is also an ambivalent attitude towards Chinese investment, especially, but not limited to, by the Mexican private sector. Many reasons have been offered to elucidate this phenomenon, including a deep sense of threat and competition from China among Mexican producers, but more in-depth studies are needed to help us understand the real motivations behind an often-opposing posture towards the welcoming of

[53] Carrillo Beatriz, et al.: "Beyond Asymmetry: Cooperation, Conflict and Globalisation in Mexico-China Relations," *The Pacific Review*, Vol. 24, nº 4 (2012), pp. 421-438; Dussel-Peters Enrique: "The Auto Parts-Automotive Chain in Mexico and China: Co-operation Potential", *The China Quarterly*, Vol. 209 (2012), pp. 82-110.
[54]Automotrices chinas llegan con todo a México", *El Financiero*, 28 April 2017, at http://www.elfinanciero.com.mx%2Fempresas%2Fautomotrices-chinas-llegan-con-todo-a-mexico.html
[55] Pérez Ludeña, op. cit., p. 8.

further Chinese investments.[56] Particular cases from recent years, include the cancellation by the government, on alleged monetary constraints, of an important infrastructure project, previously awarded to a multinational Chinese-led consortium, to construct a high-speed railway between Mexico City and Queretaro; as well as the authority's cancellation of a project involving a large sum of investments from different Chinese companies to build a shopping mall close to Cancun, under the brand Dragon Mart.[57]

Table 9. Accumulated FDI from China in Mexico's Transportation Sector, 1999-2016

(Million USD)

Branch	Millions USD
Cars & trucks	8.5
Auto-parts	19.4
Others	0.7
TOTAL	**28.6**

Source: Mexican Ministry of Economy, 2017.

The government usually offered explanations related to domestic issues for the reversal of its decisions, such as environmental concerns for the case of the mall; however, it let many analysts thinking about other real motivations behind those moves, which really caused irritation among Chinese authorities and private entrepreneurs. Nonetheless, different from what happened with Taiwanese investments during the last couple of years, investments from the mainland have continued to increase, despite the uncertainty caused by the arrival of a more protectionist-oriented administration in the White House. Once again, due to its successful industrial diversification, many Chinese corporations are interested in increasing their presence in Mexico, going beyond the mere reasoning of using the country as an export-platform to the US, but also as an important source of commodities and other industrial parts. A difficult outcome of the ongoing renegotiation of NAFTA, which could potentially harm the exporting sectors and the domestic economy in general, could also motivate the Mexican government to encourage more investments from China, attempting to end its aforementioned ambivalent attitude. A more active Chinese government in the international arena, as it has been witnessed in recent months, could also mean larger investments for Mexico. However, a more powerful PRC could also have unexpected impacts over Taiwanese investments and trade with Mexico in the coming years, as discussed in the next section.

7. Cross-strait developments and their impact on investments and trade with Mexico

As it was mentioned above, the opening of the Chinese economy was a big motivation for Taiwanese relationship enterprises to invest there. Despite the restrictions imposed by the Nationalist regime to invest in the mainland, many businessmen still took their money to China, either directly or through third parties, mainly Hong Kong and some tax-havens in Caribbean islands, opening factories and building plants there.[58] Taiwanese companies could remain competitive in the world markets, extending the process of development of regional supply chains, initially encouraged by influential Japanese corporations. Japan got to keep most of the

[56] Rosas María Cristina: "Encuentros y desencuentros: las relaciones entre México y la República Popular China," *Revista Nueva Sociedad*, Vol. 228 (2010), pp. 116-136.
[57] Downie, Edmund: "The Dragon Mart Fiasco Still Haunts China-Mexico Relations," *The Diplomat* , 24 January 2017, at http://thediplomat.com/2017/01/the-dragon-mart-fiasco-still-haunts-china-mexico-relations/
[58] Steinfeld, Edward, op. cit., 228-279.

technology-intensive process, while outsourcing other activities first to Taiwan, and eventually to Mainland China.[59] Taiwanese companies that specialized in the production of intermediate goods and other components also took advantage to move some of their operations, particularly the labor-intensive ones, to the other side of the Taiwan Strait.

Their Chinese counterparts would eventually develop their own operations, deepening the value of the regional supply chains, and attracting even further investments from multinational corporations in other parts of the world, particularly North America and Western Europe. An elaborate industrial policy allowed the Chinese government to continue the economic expansion of the country, making it not only the factory of the world, but one of its growth engines.[60] Therefore, when investments from East Asian countries arrived to Mexico, looking to expand operations there motivated by NAFTA, they found it hard to adapt themselves to the existing industrial capacity of the country. Supply chains in Mexico were underdeveloped, when compared to those already in place in the Asia-Pacific region.[61] Regardless of the rules of origin contained in the FTA with the US and Canada, designed to increase the production of parts and intermediate goods in the region, the Mexican government was no longer in a strong position to encourage the deepening of national industries. For Asian companies investing in Mexico, including the Taiwan relationship enterprises, it was easier to import certain parts and components to the country, which would later be assembled and re-exported as final goods to the United States, rather than finding trustable partners close to their plants.[62]

Except for those investors in the automaker industry, other companies still express their disappointment for the lack of effective supply chains in Mexico, and their need for importing large amounts of parts from Asia, particularly China. In this regard, Taiwanese relationship companies have been key actors in the deepening of trade imbalances between Taiwan and Mexico, and between Mainland China and the latter. When we look at the figures of Mexico's bilateral trade with selected countries, particularly its largest trading partners, we can see that the largest bilateral deficit Mexico holds is the one with China. Once again, different from other large economies in Latin America, who have a more balanced commerce with the PRC, or even present a surplus, Mexico has been characterized for its large deficit with China. Likewise, when looking at the amount of imports as a percentage of total exports, the figure offered by the Mexico's bilateral trade with Taiwan present this relationship as the most unfavorable for the Mexican side (Table 10).

Taiwanese firms have been an important contributor to the development of effective regional supply chains in East Asia and are among the main responsible for the imbalanced trade between Mexico and the countries in that region. Large corporations like Foxconn in the manufacturing of computer and communication equipment subsector, which operates different factories and assembly plants in Mexico, and its subsidiaries, dedicated to specific operations in the production process, as well as other relationship enterprises, like Po Chen, in the clothing and apparel subsector, are importers of parts and components from China and other Asian countries, including Taiwan. Dozens of SMEs from Taiwan and Mainland China are also among those foreign and domestic firms in Mexico importing manufactured goods from China

[59] Teruzo Muraoka: "Colonization and NIE'slization of Taiwan's Economy Blending with Japan's Globalization: A Global Perspective," in Chow Peter C.Y. (ed.) (2002): *Taiwan in the Global Economy: From an Agrarian Economy to an Exporter of High-Tech Products,* Westport, Praeger, pp. 223-240.
[60] Gereffi Gary: "Commodity Chains and Regional Divisions of Labor in East Asia," in Eun Mee Kim (ed.), *The Four Asian Tigers,* op. cit., pp. 94-124.
[61] Ancelovici, Marcos and McCaffrey, Sarah Jane, op. cit., pp. 166-193.
[62] Tawei Lee, David, op. cit.

to be retailed in stores, supermarkets and malls across the country. The integrationist approach followed by the Mexican government, has also made more difficult for domestic supply chains to flourish and compete with those from East Asia, including those resulting from cross-strait economic integration. As a result, Mexican officials have suggested that one of the emphasis in the renegotiations of NAFTA will be to find a way to develop competitive supply chains in North America, which could decrease the dependence on parts from Asia, and could promote more value-added activities in the agreement's three-member countries.[63]

Table 10. Mexico's Foreign Trade - Selected Countries, 2014 (Million USD)

Country	Total Volume	Exports (x)	Imports (m)	Balance	m as % of x
United States	523,688.9	318,365.6	205,323.3	113,042.3	64.5%
Mainland China	72,220.1	5,964.1	66,256.0	-60,291.9	1,110.9%
Japan	20,153.1	2,608.5	17,544.6	-14,936.1	672.6%
NICs	**25,618.4**	**3,978.3**	**21,640.1**	**-17,661.8**	**543.9%**
-Hong Kong	1,318.5	1,028.8	290.3	738.5	28.2%
-Singapore	1,729.0	529.1	1,199.9	-670.8	228.1%
-South Korea	15,810.2	2,028.3	13,781.9	-11,753.6	679.5%
-Taiwan	6,760.1	392.1	6,368.0	-5,975.9	1,624.1%
WORLD	**797,105.9**	**397,128.7**	**399,977.2**	**-2,848.5**	**100.7%**

Source: Mexican Ministry of Economy, 2017.

On the Mainland Chinese side, an increasing number of large corporations are now interested in expanding their operations in Mexico. The different economic reforms promoted by the administration of President Enrique Peña Nieto, particularly the one related to the energy sector, have catch the eye of large Chinese SOEs, semi-state corporations, and private companies.[64] Likewise, some of them are eager to prove their gained experience developing infrastructure in other developing countries, having the ability to offer lower prices and similar quality as the large private conglomerates from Japan, Germany, Spain, or the United States. This type of projects also serves the purpose to advance Chinese interests in the region. Knowing about the political influence Mexico can exert over its southern neighbors, the country has been identified as a strategic partner by the PRC, since a large group of the 20 countries currently recognizing the Republic of China in Taiwan (ROC) as the legitimate government of China are located in Central America and the Caribbean Sea.

In this sense, looking at political developments, the lack of diplomatic ties between both countries also tend to raise the level of uncertainty for investors coming from Taiwan. Mexico had established formal diplomatic relations with the Republic of China since the late 1920s, and throughout the Cold War it followed the pattern of many allied countries to recognize the ROC as the legitimate government of China, up until 1972, when it switched recognition to the Communist government in the mainland, hence observing the One China policy. Despite recognizing the ROC regime during those years, Mexico never opened an embassy or diplomatic legation in Taipei, making it a concurrent position of the Mexican Embassy in Tokyo. The Nationalist government in the island had an embassy in Mexico City, but faced many difficulties when attempting to warm bilateral ties, partly because of the sympathies the Chinese

[63] Notimex, op. cit.
[64] Downie, op. cit.

Communists received from influential and strategic sectors in Mexican politics and society, including former President Lázaro Cárdenas, and labor leader, Vicente Lombardo Toledano.[65] However, after the end of the Cold War and the triumph of neoliberal views among Mexican policymakers, the new strategy to attract FDI moved the government to look at Taiwan and its spectacular economic growth under different eyes. Following the example set by Japan in 1972, and the US in 1979, the Mexican government established an unofficial institution to manage its trade, cultural, and social exchanges with the island, which served as a type of consulate, except in its title, under the name of Mexican Trade Services Documentation and Cultural Office, in 1991. This institution has a special section, managed by staff from ProMéxico, dedicated exclusively to look for potential Taiwanese investors in Mexico, offering their services to those interested in installing factories or offices in the country, and to assist Mexican entrepreneurs who wish to export their goods to the island. On the other hand, authorities in Taiwan reciprocated the move, opening the Taiwan Economic and Cultural Representative Office in Mexico City, with similar purposes, in 1993.[66] The Taipei Office in Mexico has a more numerous staff, including a section managed by personnel from the Taiwan External Trade Development Council (TAITRA), which serves as a counterpart to ProMéxico.

The functioning of representative offices in both countries has contributed to the expansion in bilateral exchanges, including those of trade and investments. The difficult position of Taiwan in the international system has also moved its government to look for flexible and pragmatic ways to address the needs of Taiwanese companies in their goal to expand their markets and remain competitive.[67] Since the mid-1970s, when more countries started to de-recognize the Nationalist rule in the island, the authorities in Taiwan feared the imposition of unilateral barriers to their exports, hence encouraged the formation of businessmen associations to represent the country in negotiations with foreign governments, such as the cases of some textile quota agreements with the European Community. Negotiating as a private entity, the Taiwanese missions composed mainly by businessmen could make their counterparts feeling less exposed, amid possible complaints or pressures from representatives of the Chinese mainland. This formula also allowed business representatives to better communicate with government officials back home, developing a sense of mutual need and reinforcement.[68]

For the case of Mexico, Taiwanese investors have also formed associations there, particularly in the capital city, as well as in Tijuana and Ciudad Juarez. These alliances or chambers also serve as mechanisms to share their business and live experiences in Mexico, and answer some of the questions of those who are interested in investing or are newly arrived to the country. However, the emergence of China as a world power, and therefore an increase in its global influence and power instruments to put more pressure on the Taiwan government, have also had an impact on Taiwanese investors around the world, including those in Mexico. As mentioned before, the new scenario of sour cross strait relations after the triumph of Tsai Ing-wen, has also impacted on the views of Taiwanese citizens doing business abroad.
The boldness and effectiveness of Mainland Chinese authorities to defend and advance their business interests around the world, have moved Taiwanese investors to adopt a more pragmatic approach when facing problems overseas, including in Mexico. In a recent tragic incident taking place in the city of Leon, where a Taiwanese businessman was kidnapped and murdered, the

[65] Haro, Francisco Javier et al. (eds.) (2011): *Historia de las relaciones internacionales de México,* 1821-2010, Vol. 6: Relaciones con Asia, Mexico City, Ministry of Foreign Affairs of Mexico, pp. 219-241.
[66] Ibid, pp. 483-493.
[67] Lin, Steven A.Y. op. cit., pp. 79-94.
[68] Li-min Hsueh, Chen-kuo Hsu, and Perkins, Dwight H. op. cit., pp. 203-207.

family of the deceased immediately asked for help to the Chinese embassy in Mexico City. Despite the businessman was born in Taiwan and held a passport issued by the ROC authorities, the decision of the family was practical in nature, hoping the staff in the PRC Embassy could assist them and put some pressure on the local police and justice officials to clarify the murder and find the responsible parties in a more effective way. The rapid response from the Chinese diplomats, whose attitude was supportive according to media reports, contributed to an ongoing debate in Taiwan about the effectiveness of its own government when representing their interests abroad.[69] In a country like Mexico, characterized by continuous problems in guaranteeing the safety of its population in certain parts of the territory, it is possible that this kind of reactions are continued to be seen among Taiwanese investors in the foreseeable future.

8. Concluding remarks

Taiwanese relationship enterprises have had a strategic role in the bilateral trade and investment links between Mexico and both sides of the Taiwan Strait. In their aim to remain competitive globally and have a better access to markets in North America, those firms have contributed to the development of East Asian regional supply chains, mainly based in Mainland China, but have also used Mexico as a platform to assembly final goods and export them to the United States. The independent response to globalization observed by Taiwan has contrasted with the integrationist approach followed by Mexico; hence, making the companies of the island interested in moving some of their operations to the latter, also following larger investments from Japanese conglomerates, as well as encouraged by other large American corporations, who are also appealed by the chances to increase their profits by taking some of their production stages to Mexico, using the country's semi-skilled low-wage labor. The existence of competitive supply chains in China, and the lack of many of them in Mexico, also motivated some of those companies to import large amounts of parts, intermediate inputs, and technology from China and Taiwan, hence causing large trade imbalances between those nations.

The interest in Mexican manufacturing industries has made total investments from Taiwan, particularly those in the subsectors related to the production of computers and communication equipment, to be much larger than those arriving from the Chinese mainland. On the other hand, the successful industrialization process, still taking place in China, characterized by a diversification of industries, both in the hands of large state-owned, semi-state, and private corporations, have caused Chinese investments in Mexico to be more diversified than those flowing from Taiwan. There is an increasing interest in primary activities, mainly mining and other extracting subsectors, especially oil, following the Mexican energy reform of 2013, raising the concerns for a "Latin-Americanization" of Mexican exports to China. The arrival of further investments from that country need to address a constantly ambivalent attitude from the Mexican public opinion and private sector, as well as more competition from other countries, not only in North America, but also Japan and the EU, a situation that Chinese corporations have not necessarily faced in other countries of the region, particularly in South America.

Also contrasting with most of its southern neighbors, Mexico has a really pronounced deficit in its bilateral trade with Taiwan and Mainland China. However, those imbalances are compensated with the surplus in its bilateral trade with the United States (Table 10). Nonetheless, Mexican trade surplus with the US has been a recent matter of concern in the US, particularly since the election race last year, moving Donald Trump to promise a renegotiation

[69] Pin Liu, "Tongyi zhilu: qiaoqiao zhankai," *Zhongguo Shibao,* 2 February 2017, at http://opinion.chinatimes.com/20170201002271-262104

of NAFTA, and threatening to impose tariffs on goods produced in Mexico by American corporations, and in cars assembled in the country with the purpose of being exported to the US. The new talks, according to officials on the three countries involved, are expected to modernize the agreement, particularly in those areas where the situation has changed during the past two decades, such as renewable energies, further labor and environmental standards, and e-commerce. Rules of origin are also a factor of concern and therefore they will attempt to effectively encourage the development of North American regional supply chains, as a way to stop the region's dependence on parts and components from Asia.

If that is the case, a new version of NAFTA would encourage further investments from Japan, Taiwan, and other industrialized countries in East Asia, drawn by the need to replicate the success they had in creating competitive supply chains based in China, followed by an increase in Transpacific commercial flows, effectively rebalancing trade between both regions. Nonetheless, a unilateral withdrawal from the agreement by a protectionist White House, would cause unnecessary harm to the Mexican economy, creating a climate of uncertainty among investors, and pushing Taiwanese firms, particularly OEMs and giants like Foxconn, to decrease their presence in Mexico. The rounds of talks during the second half of 2017 proved harder than expected for the Mexican and Canadian sides, who faced proposals by the US government deemed unacceptable, including a clause making the three countries to evaluate and decide on the continuation of the agreement every five years, as well as other clause increasing the regional content rules in the auto-making industry. The more negative perspectives have led the Mexican authorities to look for ways to diversify its foreign trade, while more optimistic analysts have forecasted a not so dramatic economic immediate future in case negotiations collapse and the US decides to abandon the agreement, or in case a more left-leaned candidate becomes elected in the 2018 presidential elections.[70]

In any case, a post-NAFTA scenario should move Mexican decision makers to rethink the use of industrial policies, aimed at the development of supply chains for the existing manufacturing infrastructure in the country, and investing more heavily in technology-intensive industries and in R&D, learning from the example of independent strategies pursued by countries in Asia. Other policies designed to strengthen the domestic market, such as tackling informality, boosting productivity, and recovering the purchasing power of minimum wages in the country, could also have the effect of attracting further investments from Taiwan and Mainland China. In the meantime, new developments in cross-strait relations, under a current DPP administration in the island, and an increasing global presence and influence of the government in the mainland, will continue to affect the evolution of Taiwanese investments abroad, including those made in Mexico, and will determine the future competitiveness of Taiwanese relationship enterprises and large Chinese private corporations around the world.

[70] Notimex: "Pese a TLCAN y elecciones, perspectiva de México en 2018 es estable: Standard & Poor's," *Excélsior,* 6 December 2017, at http://www.excelsior.com.mx/nacional/2017/12/06/1206029

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