

*COMMUNITY, DIFFUSION, & NORTH AMERICAN EXPANSIVENESS:  
THE POLITICAL ECONOMY OF FLUX*

Edited by

**Imtiaz Hussain**

## PREFACE:

Created as a textbook for a projected course on North American Political Economy, this manuscript brings together a number of progressively unfolding ideas and developments through seven chapters. Behind them lies the question as pertinent 15 years after the North American Free Trade Agreement (NAFTA) was first implemented as it was when the document was being negotiated between 1990 and 1993: Will North American regional pursuits push attitudes, behaviors, and consciousness beyond the state level, that is, from inter-governmentalism towards some form of supranationalism or expanded transnationalism? Indeed, is there a North American mindedness? Given 9/11 and issue-specific nationalistic sentiments, is it gathering momentum, sputtering, or simply hanging on in there? On another track, given the explosion of technological developments, is regionalism, to the extent it exists, broadening beyond North America, for example, assuming hemispheric contours, or even become absorbed into the more encompassing globalizing processes? Where exactly does North America as a region fit at the start of the 21<sup>st</sup> Century?

Pervasive and bothersome though those questions are, this manuscript addresses them through specific issues or developments, at times portraying optimism, at other times absorbing underlying pessimism. Though not all issues can be covered in this single volume, the disparate selection displays the diversity at stake. They are encapsulated under three broad themes: independently emerging regional community-mindedness, *maquiladora* industrialization, and officially designed *north americanism*.

A North American community is clearly in the relevant dictionary, though to what extent it characterizes developments in the trenches is Robert Pastor's quest in the first chapter. Dealing mostly with political economy variables and related attitudes, he is

cautiously optimistic in delivering two essential themes: We cannot run away from the automatic growth of community-mindedness, given our appetites and attitudes; but because of them, we also will not easily disown our nationalistic colors. How the twain blends unfolds in the remaining chapters with varied hues and tones.

Implicit behind the next four chapters is the double-edged influence of an older border-transgressing dynamic: the *maquiladora* economy--a secular boundary-breaking development reflecting technological diffusion and production efficiency more than conscious policy priorities. Although the Mexican *maquiladora* industry did result from policy-making initiatives in Washington during 1965, when the Border Industrialization Program was formulated and implemented, it has taken on an independent life of its own ever since, as several chapters indicate in various ways. In the first of their two chapters (#2), Alicia Puyana's and José Romero's examination of Mexico's North American role cannot sideline *maquila* contributions, while their second (Chapter 5) places Mexico's predicament within the broader Latin region. We see in both chapters how breaking the North American boundary barriers has been going on for a much longer time than our regional mind-set has fully recognized, why countervailing forces diminish over time, even though the problems stirred reflect bed-rock issues, and what these developments have meant for Mexico and some of the other Latin countries.

Edward D. Mansfield explores the case of intellectual property protection catalyzing boundary-transgressions (Chapter 3). In a study of several countries, including Mexico, he correlates this with the spread of foreign direct investment, arguing the nature of host-country regimes exerts as important considerations as economic pull-factors. If this is the case, one notes how Mexico's *maquiladora* industry not only defied the

country's import-substitution policy orientation from the mid-1960s, but also served as the vehicle of incremental technological shifts. Monica Gambrell's chapter (#4) addresses the diffusive *maquila* role more explicitly, bringing in a variety of Asian countries to explain the evolution of this type of production. Interpreted through various theoretical prisms, her chapter distinguishes the Latin experiences from the Asian, thus setting us up for a fuller understanding of unfolding 21<sup>st</sup> Century developments in which Asia's Latin production to feed the US market is spiraling upwards. As already alluded to, Puyana and Romero take up the Latin angle in their second chapter (#5). Satya Pattnayak continues with the *maquila* effects, viewed through Japan's global production challenges of the US-determined global world economy (#6). In particular, he examines how Japan may be more favorably positioned in not only the emerging BRIC economies of Brazil-Russia-India-China, but also in Canada and Mexico, particularly the latter.

In addition to a spontaneously emerging North American community and *maquiladora* growth, formal agreements also push beyond the state. The last two chapters turn our attention to two sets of these. The first, by Gloria Soto Montes de Oca (#7), brings in the environment, the second, various dispute settlement arrangements by Imtiaz Hussain (#8). Both sprang from the North American Free Trade Agreement (NAFTA) or NAFTA-related arrangements. Whereas the environmental chapter informs us of the institutions created, and how these wage a grim, long-term battle over trans-border concerns, the dispute settlement chapter alerts us not just to the situations developed to promote regionalism in North America, but also the intrinsic roles of non-governmental organizations (NGOs) in the north *americanization* process, for example, how they create

trans-border problems, seek trans-border solutions, and in the process, dig trans-border trails even nationalistic sentiments cannot fully eliminate.

At the end of the book, the original questions remain as they were when first asked: more interrogative than fulfilled, and in as much flux as ever before. What difference, then, did the book make?

First, by showing the presence of supranational tendencies amidst embedded nationalistic sentiments, it brings to play across North America one of the dominant debates from the more successful regional pursuits across West Europe: between inter-governmentalism and supranationalism. Popularized by Andrew Moravscik, among others,<sup>1</sup> the debate is overdue in North America given the multifarious dynamics. It did not pave the road towards European harmony, and remains even more contentious today; but without sufficiently extracting its North American utility, we may be impoverishing integrative explanations and facilitating distorted conclusions (in addition to giving the debate an exclusive European proprietorship).

Second, by placating the above dialectic, the manuscript exposes how the multiplicity of issues in the region prevents any single one of them, or any single agency or theoretical argument, to exert a veto power. For example, 9/11 could not close the border long enough; Canada and Mexico still remain two of the top-three US trading partners after 9/11 as before; and illegal migration to the US continues to be a dominant industry. Increasing complexities may tax policy-makers, emasculate theoretical tenets, and push scholars into despair, but paradoxically at the end of the day, the status quo

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<sup>1</sup>Andrew Moravscik, "Negotiating the Single European Act:national interests and conventional statecraft in the European Community," *International Organization* 45, no. 1 (Winter 1991):19-56.

remains. Given the asymmetrical North American playing field, the manuscript reassures us both the benefits and costs of asymmetry will somehow be diffused.

Finally, by interpreting North America both as the sum of its parts, as well as more than the sum, the manuscript leaves policy-making and interpretational doors wide open. Doing so recognizes the limits of reversing integrative and disintegrative dynamics, but unlike West Europe, where regionalism does have finite borders, North America is more expansive, reaching out at once to both Latin America and across the Pacific while tending to homegrown issues and concerns.

Stemming from a FICSAC grant in *Universidad Iberoamericana*, the manuscript took slightly over a year to produce. Beginning with a seminar in the first week of April 2006, where a number of these chapters were first presented as papers, its 2007 publication target is timed to serve as a textbook for a new Department of International Studies course. I am grateful to Karla Patiño Luna and Armando Villareal Solana of FICSAC for helping out with the various project reviews and allocations; to Ana Laura for revising the earlier FICSAC application and Jonathan Gilbert Acosta for managing the fort, my office, during my absence; and to Alejandro Anaya Munoz for bringing the FICSAC grant to my attention, steering the several activities related to the project, like the April 2006 seminar, to successful conclusions, and supporting the manuscript review and publication. Each author is ultimately responsible for the originality and analysis of his or her own chapter. Since we all bring quite different writing styles, a variety of footnote formats have been used, each one with counterparts in the relevant literatures. Many of the sources, though not all, were compressed in a collective bibliography at the end of the book. Finally, my appreciation to the manuscript reviewer, and to all

contributors for hanging on in there, especially as the going got rough. Without the steadfastness of purpose and project, we might have remained like the three countries constituting NAFTA before NAFTA: reduced to our privation in more ways than one.

*Imtiaz Hussain, May 2007*

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## ABBREVIATIONS:

AGOA:	Africa Growth and Opportunity Act
ALADI:	Asociación de Latinoamericana de Integración
BECC:	Border Environment Cooperation Commission
CAP:	Common Agricultural Policy (European Union's)
CEC:	Commission for Environmental Cooperation (NAFTA-related)
CEO:	Chief Economic Officer
CFE:	<i>Comisión Federal de Electricidad</i> (Mexico)
CLC:	Commission for Labor Cooperation (NAFTA-related)
COM:	Council of Ministers
CTM:	<i>Confederación de Trabajadores de Mexicanos</i> (Mexico)
CUFTA:	Canadian-US Free Trade Agreement
DCs:	Developed countries
DSB:	Dispute Settlement Board (WTO)
EAP:	Economically active population
ECC:	Extraordinary Challenge Committee (NAFTA, Chapter 19)
EFTA:	European Free Trade Agreement
ENGOS:	Environmental non-governmental organizations
EPA:	Environmental Protection Agency (USA)
EU:	European Union
FDI:	Foreign direct investment
FLACSO:	<i>Facultad Latinoamericana de Ciencias Sociales</i>
FTA:	Free trade agreement
FTAA:	Free Trade Area of the Americas
FTC:	Free Trade Commission (NAFTA, chapter 20)
GATT:	General Agreement on Tariffs and Trade
GDP:	Gross domestic product
GDP/C:	Gross domestic product per capita
GDP/L:	Gross domestic product per labor
GDP/W:	Gross domestic product per worker
GLAD:	Globalization, liberalization, and democratization
GSP:	Generalized System of Preferences (under GATT)
ICSID:	International Center for the Settlement of Investment Disputes
ISIC:	International Standard Industrial Classification
JPAC:	Joint Public Advisory Committee (NAFTA's environmental side-agreement)
LAIA:	Latin American Integrative Agreement
LAFTA:	Latin American Free Trade Agreement
MFA:	Multi-fibre Agreement
MFN:	Most-favored-nation
MNC:	Multinational corporation
NAAEC:	North American Agreement on Environmental Cooperation
NADBank:	North American Development Bank
NAFTA:	North American Free Trade Agreement
NAO:	National Administrative Office (NAFTA labor side-agreement)
NGOs:	Non-governmental organizations
NIC:	Newly industrializing country
PEMEX:	<i>Petróleos Mexicanos</i>
PITEX:	
PROFEPA:	<i>Procuraduría Federal del Medio Ambiente</i>
RVA:	Revealed comparative advantage
SAGARPA:	<i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>
SEDESOL:	<i>Secretaría de Desarrollo Social</i>
SEMARNAP:	<i>Secretaría de Medio Ambiente, Recursos Naturales y Pesca</i>

SEMARNAT:	<i>Secretaría de Medio Ambiente y Recursos Naturales</i>
SPP:	Security and Prosperity Partnership
TLCAN:	Tratado de libre Comercio de América del Norte
TLP:	Total labor productivity
UNCITRAL:	United Nations Conference on International Trade Law
UNEP:	United Nations Environmental Program
VAT:	Value added tax
WTO:	World Trade Organization

## CHAPTER 8:

### NGOs AND NAFTA'S DISPUTE MECHANISMS:

#### IN THROUGH THE FRONT DOOR

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*Even though it boasts no supranational institutions, NAFTA still goes beyond inter-governmentalism, I argue. A comparative study of four dispute settlement mechanisms shows the promise of transnationalized policy-making networks, with the state exerting maximum leverage over trade, minimal over investment, and mixed over environmental and labor; and NGOs, with multiple entry points to influence policy-making, actually helping the state shed its escalating agenda. The resulting society-state-supranational policy-making transmission belt modifies the sovereignty-at-bay thesis (Vernon 1971), challenges orthodox state autonomy arguments (Nordlinger, 1981), suggests extending the typical two-level ratification thesis to three (Putnam, 1993; Moyer 1993); and reaffirms small-group over large group decision-making (Olson, 1965; Gowa 1994). All of the above imply a North American community evolving both officially and unofficially, engaging states and non-governmental entities, suggesting each North American country may be too small to control all the operating forces within it.*