

Economic Statecraft through the Use of Two-Level Games

Mexico's Successful Diplomacy in NAFTA and the Pacific Alliance

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According to U.S. president Harry S. Truman (1945–1953), “foreign and economic relationships are indivisible.”¹ The truth of this statement is evidenced by Mexico’s successful use of diplomacy in negotiations leading to signature economic treaties. To achieve this success, Mexico undertook a process of concerted actions with clear goals that encompassed domestic and foreign interests while utilizing presidential leadership, trained negotiators, and professional lobbyists. In this chapter, we examine Mexico’s effective use of diplomacy to achieve economic ends through the North American Free Trade Agreement (NAFTA) and the Pacific Alliance—a new free-trade pact comprising Chile, Colombia, Peru, and Mexico. The Pacific Alliance was launched in 2011, and the four countries’ negotiators concluded the first stage of liberalization in February 2014 through the signing of the Additional Protocol to the Framework Agreement of the Pacific Alliance. These two negotiation processes represented the intimate intertwining of both foreign and domestic economic policies for Mexico.

It is no exaggeration to say that NAFTA marked a sea change in U.S.-Mexico relations. The agreement, which went into effect in 1994, prompted bilateral cooperation beyond the core issues of trade and economic matters. In a similar fashion, the Pacific Alliance has allowed Mexico to foster cooperation beyond just trade and economic issues in order to consolidate a new sub-region in Latin America that will provide for the free mobility of persons as well as a special outlook for economic relations with Asian Pacific countries.

NAFTA and the Pacific Alliance are cases of successful diplomacy because Mexico negotiated each in such a way that permitted it to conclude both agreements. Moreover, the goals of the treaties have been achieved: the deepening of Mexico's trade and economic relations with the world has favorably influenced Mexico's foreign policy and international prestige—both directly and through substantial spillover effects. In regard to direct results, by using economic tools and promoting a free-trade agenda, Mexico has strengthened its diplomacy and presence abroad. Regarding indirect effects, it is thought that a greater Mexican diplomatic and economic presence in the United States and Latin America will strengthen its economic security, and also that there have already been other positive results related to democratic gains.²

Why are the negotiations of NAFTA and the Pacific Alliance worthy of being singled out as cases of truly successful diplomacy? It is because both of these cases resulted in permanent changes in foreign and domestic policy that not only fundamentally changed visions of Mexico's place in the world but also resulted in significant alterations to Mexico's economy. Given the asymmetry of power between Mexico and the United States, it is no surprise that the prime objective of Mexico's diplomacy for many years was to protect its sovereignty. As a result, the traditional Mexican diplomatic agenda did not generally embrace the types of negotiations that promote either strong or heterogeneous domestic constituencies. With economic treaties, however, there will always be strong domestic constituencies as well as long-lasting policy consequences. Thus, although the preceding trade negotiations in the early 1980s were deemed to be a diplomatic success (especially vis-à-vis the United States), there were few domestic spillovers and even fewer permanent policy changes.³

This chapter relies on Robert Putnam's two-level game concept as an analytical tool to explain the success of both the NAFTA and the Pacific Alliance negotiations.⁴ This approach takes into account several factors that are important to understanding the success of the negotiations, including how domestic constituents are handled and engaged, and what the expected spillover effects are. First, it sets forth that to be successful, central decision-makers must strive to reconcile domestic and international imperatives simultaneously.⁵ Second, it recognizes that negotiations lead to adoption of policies different from those that would have been pursued in the absence of international negotiations, and that agreement is often possible only because a powerful minority within each government favors the internationally demanded policy due to domestic realities.⁶ Furthermore, it is often the case that in the absence of international pressure, policy changes would likely not have been pursued, and that even if they were pursued, they would certainly not be implemented on the same scale or even within the same time frame.⁷ This seems to be particularly true of economic negotiations.⁸

