



Salvador de Madariaga Institute

A Comparative Perspective between the European Union and NAFTA

-Alejandro Chanona



Jean Monnet/Robert Schuman Paper Series
Vol. 3 No. 5
August 2003

The Jean Monnet/Robert Schuman Paper Series

The Jean Monnet/Robert Schuman Paper Series is produced by the Jean Monnet Chair of the University of Miami, in cooperation with the Miami European Union Center.

These monographic papers address issues relevant to the ongoing European Convention which will conclude in the Spring of 2003. The purpose of this Convention is to submit proposals for a new framework and process of restructuring the European Union. While the European Union has been successful in many areas of integration for over fifty years, the European Union must take more modern challenges and concerns into consideration in an effort to continue to meet its objectives at home and abroad. The main issues of this Convention are Europe's role in the international community, the concerns of the European citizens, and the impending enlargement process. In order for efficiency and progress to prevail, the institutions and decision-making processes must be revamped without jeopardizing the founding principles of this organization. During the Convention proceedings, the Jean Monnet/Robert Schuman Papers will attempt to provide not only concrete information on current Convention issues but also analyze various aspects of and actors involved in this unprecedented event.

The following is a list of tentative topics for this series:

1. The challenges of the Convention: the ability to govern a supranational Europe or the return to intergovernmental cooperation?
2. How will the member states figure in the framework of the Convention?
3. The necessity to maintain a community method in a wider Europe.
4. Is it possible for the member states to jeopardize the results of the Convention?
5. The member states against Europe: the pressures on and warnings to the Convention by the European capitals.
6. Is it possible that the Convention will be a failure? The effects on European integration.
7. Similarities and differences between the European Convention and the Philadelphia Convention of 1787.
8. The role of a politically and economically integrated Europe in the governance of the world.
9. How important is European integration to the United States today?
10. The failure of a necessary partnership? Do the United States and the European Union necessarily have to understand each other? Under what conditions?
11. Is it possible to conceive a strategic partnership between the United States, the European Union and Russia?
12. Russia: a member of the European Union? Who would be interested in this association?

Miami European Union Center
University of Miami
1531 Brescia Avenue
Coral Gables, FL 33146-3010
Phone: 305-284-3266; Fax: 305-284-4875
E-Mail: jroy@miami.edu
Webs: www.miami.edu/international-studies/euc
www.euroy.org; www.miamieuc.org

Jean Monnet Chair Staff:
Joaquín Roy (Director)
Aimee Kanner (Editor)
Roberto Domínguez (Research Assistant)
Nouray Ibryamova (Research Assistant)
Mariela Arenas (Research Assistant)

A Comparative Perspective between the European Union and NAFTA

Alejandro Chanona*

The Jean Monnet Chair
University of Miami
Miami, Florida
August 2003

* Alejandro Chanona (B.A. in International Relations, UNAM, M.A. in Western European Politics, U. of Essex, U.K., Ph.D. in Government, U. of Essex). He is currently the Founding Director of the Center of European Studies at the National University of Mexico (FCPyS/UNAM). He is Senior Lecturer in Comparative Regionalisms at the Faculty of Social and Political Sciences of the UNAM. He has published articles on the EU and NAFTA in different journals. His most recent book is on *Europa en Transformación*; UNAM 2000, co-edited with Roberto Domínguez. Recent articles: "Federalismo, regionalismo y el principio de subsidiariedad en la Unión Europea," *revista Relaciones Internacionales*, enero-abril de 2000; "Integración México-Estados Unidos en el TLCAN: Nuevo regionalismo Norte-Sur?," *Relaciones Internacionales*, mayo-dic. 1999; "Repensando teóricamente la integración en las Américas: la integración desde el norte y la integración desde el sur," *Relaciones Internacionales*. He has presented at conferences in the United States, Europe and Asia on comparative regionalisms. His research areas are: comparative regionalisms; theories of regional integration and international theory; the political economy of regional integration; integration and international security. He is currently the Vice-President of the Mexican International Studies Association, and a founding member of the World International studies Committee (WISC), recently established in the context of the New Orleans ISA Convention.

A COMPARATIVE PERSPECTIVE BETWEEN THE EUROPEAN UNION AND NAFTA

Introduction

There are currently several expectations regarding NAFTA that clearly foresee something beyond a simple free trade area (FTA). Moreover, there are analytical exercises in a comparative perspective with the European Union (EU) that confer the benefit of the doubt on the idea of a North American Community.¹ If we agree that the NAFTA is a region in the making and its objectives tend to be overtaken by the dynamics of the region, we are in business.

North America has become a real region for security reasons, for economic advantages and for political interests. The point is whether the NAFTA has its own model or its evolution reveals features common to the European experience, although we do not see the need for North America to become a loyal copy of the European regional integration model.

In summary, what the NAFTA needs is a theoretical tradition to debate its progress as well as its obstacles, in order to study its nature beyond simple negative integration and assuming that the Regional Integration Agreement entered between among Canada, the United States and Mexico, could perfectly evolve towards a community with a stronger institutional system.

The Theoretical Debate:

The NAFTA and the Theories of Regional Integration for the European Union

When I started to look at the emergent North American Region (NAR) at the end of the 1980's and the early 1990's, I realized as well as other scholars that the economic regional integration between such asymmetrical partners had no precedent; it was a novel situation. The strong interdependence between Canada and the United States was well known; consequently, it was a natural step for both countries to pursue a FTA by the mid 1980's. However, it was unclear if the former champion of free trade and multilateralism, the United States, could actually consider formalizing a regional block with its southern neighbor. In fact the asymmetries between Mexico and the United States did not allow analysts to foresee the potential outcome in terms of deepening the U.S.-Mexican interdependence. As a matter of fact the notion of interdependence subordinated all chances for the concept of integration to be considered a key notion to characterize the new dynamics of the U.S.-Mexican relationship.

The efforts made in the mid 1990's, regarding the need to explain the process of regional integration between Mexico and the richer North America, was to portray this

¹ See Robert A. Pastor, *Toward a North American Community* (Institute for International Economics, 2001); Helen Milner, "Regional Economic Cooperation, Global Markets and Domestic Politics: A Comparison of the NAFTA and the Maastricht Treaty," in William Coleman and Geoffrey Hunderhill (eds.) *Regionalism and Global Economic Integration* (UK: Routledge, 1998); John McCormick, *Understanding the European Union* (UK: Palgrave, 1999); Andrew Hurrell, "Comparación entre Europa y América: ¿que clase de problemas? ¿que clase de teorías?" en Arturo Borja, et al. *Regionalismo y poder en América: los límites del neo-realismo* (Mexico: CIDE/Miguel Angel Porrúa, 1996).

regionalism as a process of transition from informal to formal integration. The clue between informal and formal integration was the intervention of the State. In the informal process the state remains out of the process, the market and any other transaction foster integration, whereas in the formal economic integration, the State, the Government, sets the rules and intervenes to create, inhibit or disappear any pattern of economic and social flows among the member states.² Mexico had in this perspective a proactive formal integration strategy, rather than reactive, as some sustain even today.

In addition, we recognised in the mid 1990's that the process of formalisation of the NAFTA brought about new experiences of negotiation and interaction among Canada, the United States and Mexico. This situation could be explained by Andrew Moravcsik's approach of *Intergovernmental Institutionalism and Modified Structural Realism*. This approach stresses the central importance of power and interest and is based on three principles: intergovernmentalism, lowest-common denominator bargaining, and strict limits on future transfers of sovereignty.³ Although this approach was originally dedicated to the EU, it fits what has been happening in North America during its regional existence.

NAFTA is based on the interstate network of negotiations between its three members. And above all, even when societal interests are transnational, the principal form of their political expression remains national. The hegemony of the United States exerts pressure on the other two smaller states, thus, bargaining tends to converge toward the minimum common denominator of the largest state interests that is to say, those of the United States. In fact, there is always a threat of exclusion of small states from the benefits of the Regional Integration Agreement. Finally, the protection of sovereignty is the most controversial matter in North America, since the case in the EU is related to the decision to join a regime that involves some sacrifice of national sovereignty in exchange for certain advantages.⁴

Now, how can we build a comparative perspective between EU regional integration theory and NAFTA? It is not quite clear even today how the three very different and asymmetrical North American countries could converge, if we agree that the 1989 Canada-United States Free Trade Agreement (CUFTA) was already in force. Therefore, we could argue that it was not necessary to upgrade the regional relationship with their southern neighbor. As a matter of fact, Mexico identified more with Latin/South America and it did not have a "North American" identity. Furthermore, during the Cold War years Mexico was also seen primarily as part of the U.S. national security strategy rather than an economic regional partner. Therefore, neither International Theory nor theories of regional integration were used to analyze the history of the relations between the three countries: Canada, Mexico and the United States, as a "region".

Nevertheless, in the 1990's this North American "region" emerged with the negotiation and implementation of the North American Free Trade Agreement in 1994.

² See William Wallace, *The Transformation of Western Europe* (UK: RIIA, 1990); Alejandro Chanona, "Inter.(dependencia vs. integración: consideraciones teóricas sobre la integración económica formal entre México y Estados Unidos," en Eliezer Morales y Consuelo Dávila, *La nueva relación de México con América del Norte* (México: UNAM, 1994).

³ Andrew Moravcsik, "Negotiating the Single European Act," in Robert Keohane and Stanley Hoffman, *The New European Community* (Boulder: Westview Press, 1991), pp. 46-48.

⁴ Idem, p. 47.

The NAFTA had no precedent. There were no similar examples that could be compared with such asymmetrical partners involved in a process of regional integration.

In view of the original experience of the NAFTA and despite the fact that its current bibliography has proliferated⁵ to analyze this novel case of regional integration in North America, in particular looking at Mexico-U.S. integration, its understanding continues to be under-theorized. In other words, attempts have been made to reconstruct its history and its impact on the three NAFTA members, however specific analysis on how relevant the case is for current theories of International Relations (IR), theories of regional integration and theories of regionalism, continues at the very beginning of its development. Even more, NAFTA is still characterized as the continuation of the CUFTA or the beginning of the Free Trade Agreement of the Americas (FTAA) encompassing Latin and Central America, the United States and Canada, following President Bush's announcement of this Enterprise Initiative for the Americas in 1990.⁶

This paper sustains that the Mexican-American integration can have relevant meaning not only for the Americas, but also for the understanding of what has been characterized as one of the important features of the "new regionalism"⁷ in the NAFTA.⁸ If we follow Andrew Hurrel, what NAFTA contains in view of this new Mexico-U.S. regionalism is the challenge of "whether the management of the increasingly complex and dense economic environmental and societal interdependencies that had emerged on the past forty years should be formalized and institutionalized, or left to ad hoc political bargaining."⁹

⁵ Jorge Castañeda, *The Mexican Shock* (USA: The New Press, 1995), pp. 47-61; *II Foro Mercosur/NAFTA*, Cuadernos del Parlato, No. 6 octubre de 1994; Robert Pastor, *Integration with Mexico*, A Twentieth Century Fund Paper, 1993; Charles Bonser (ed.), *Toward a North American Common Market* (Boulder: Westview Press, 1991); Michael G. Wilson and Wesley R. Smith, *The North American Free Trade Agreement: Spurring Prosperity and Stability in the Americas*, The Heritage Foundation; Eduardo Huchin, *TLC hacia un país distinto*, (Mexico: Nueva Imagen, 1992); Fernando Calzada, et al., *Un tratado en marcha*, (Mexico: El Nacional, 1992); Sidney Wientraub, *El TLC cumple tres años* (Mexico: FCE/ITAM, 1997); Víctor Bernal, et al., *La integración comercial de México con Estados Unidos y Canadá* (Mexico: S. XXI, 1990); Gustavo Vega (ed.), *México ante el libre comercio con América del Norte* (Mexico: El Colegio de México/Universidad Tecnológica de México, 1991); Nora Lustig, et al., *Assessing the Impact: North American Free Trade*, The Brookings Institute, 1992; Consuelo Dávila y Eliezer Morales, *La nueva relación de México con América del Norte* (Mexico: UNAM, 1994); Robert A. Pastor, *Toward a North American Community*, Institute for International Economics, 2001; Clint E. Smith, *Inevitable Partnership. Understanding Mexico-U.S. Relations* (Boulder: Lynne Rienner, 2000).

⁶ Andrew Hurrel, "Latin America in the New World Order: A Regional Bloc of the Americas," *International Affairs*, 68, 1 (1992), pp. 121-139.

⁷ According to Andrew Hurrel and Louise Fawcett, the "new regionalism, has various important characteristics: a) the number, scope and diversity of regionalist schemes have grown significantly; b) there is the emergence of 'North/South regionalism'; c) there is a wide variation in the level of institutionalization; d) another feature of the new regionalism is its multidimensional nature; 3) forming part of the world wave has seen a marked increase in regional awareness or regional consciousness; f) the revival of interest in regionalism and regionalist projects needs to be seen within a global perspective rather than in a single-region focus; and, g) the proliferation of regionalist arrangements raises complex and difficult questions concerning the character and maintenance of world order, Andrew Hurrel, op.cit., p. 332 and Louise Fawcett and Andrew Hurrel, *Regionalism in World Politics* (UK: Oxford University Press, 1995), pp. 1-6.

⁸ Andrew Hurrel, "Explaining the Resurgence of Regionalism in World Politics," *Review of International Studies*, 21, No. 4, 1995, p. 332.

⁹ Idem, p. 351.

The answer is clear; Canada, Mexico and the United States decided to accelerate the transition from informal to formal integration. The bottom line is to analyze how the levels of cohesiveness work to allow this process of regionalism to occur. Put into a question how did social, economic, political (if any) and organizational cohesiveness interact to allow this process to unfold? Let us go through different arguments in order to try to grasp whether this is a new kind of regionalism, and therefore theories of IR and RI can provide clues to construct a relevant theoretical explanation to analyze this regionalism.

The Relevance of Theory

As the “second wave” of regional integration processes continues spreading throughout the world, economic wisdom and neo-functional considerations,¹⁰ as well as neo-realism and neo-liberalism, to explain its nature, appear rather partial, in fact, both schools failed to address domestic politics as the main source of national interest. The politics and the political economy of contemporary regionalism emerge **as a proper and meaningful** theoretical track to analyze this complex feature of the international order at the beginning of this millennium.

International Theory must consider regional integration studies on a deeper level more continuously in the present conjuncture despite the fact that it is recognized that there are specific issues concerning the appropriate disciplinary homeland for European Union (EU) studies.¹¹ International Theory has to address the increasing complexity of regional integration elsewhere. As such, “Regional Integration” (RI) is one of the key expressions of contemporary regionalisms; RI provides the laboratory to do research from a comparative perspective. RI throughout the international system shows us different levels of “formal” and “informal” regional integration, hence we can assess different levels of economic, political, cultural and social cohesion.

Our proposal is that we have to learn at the epistemological level from the theoretical tradition developed around EU studies. In North America, although NAFTA is already several years old, theoretical debates continue in a rather crude situation compared to the dynamics of the North American region. The North American Market (NAFTA) is nowadays the biggest contributor to the world GNP with 31.1% in 1998, followed by the European Union with 28.1% for the same year.¹² This trading bloc represents for Canada and Mexico more than 80% of their total foreign trade, respectively. The economic interdependence in the region has grown enormously during the last decade. In fact, as Robert Pastor sustains, regionalism has been growing at a much faster pace in the past two decades than globalism, and the fact that three regions (EU, NAFTA and East Asia) are responsible for about 80% of all world trade confirms the new shape of the tripartite system in the global economy.

¹⁰ See Alejandro Chanona, “Repensando teóricamente la integración en las Américas: la integración desde el norte y la integración desde el sur,” ponencia presentada en el seminario internacional, *Los estudios de relaciones internacionales en las Américas. Reflexiones de fin de siglo*, CEVERIG, Universidad Central de Venezuela, 12-14 de septiembre de 1997.

¹¹ See Ben Rosamond, *Theories of European Integration* (UK: Palgrave, 2000), p. 3.

¹² Ugo Pipitone, “EL TLCAN en una perspectiva mundial,” en Arturo Borja (coord.), *Para evaluar al TLCAN* (Mexico: Miguel Angel Porrúa/TEC, 2001), p. 22.

IT and theories of RI have to attract the analysis of the NAFTA urgently. Thus, allow us to focus on the following question: What is it exactly that we should learn from the EU, if anything?

We are aware of the dangers of trying to extrapolate the EU model; however, we think we can identify at least four points whereby we can create relevant theoretical insights:

1. - Despite the fact that Western Europe is the cradle, the birthplace, of the *territorial, sovereign, and modern capitalist state*, it is also the place where this is currently questioned. Paradoxically, it is in Europe where the very notion of sovereignty is now challenged. Contradiction in terms, it is also in Europe where a new territorial unit comes into existence at the expense of the nation-state. The new European dialectic is that process whereby supranational goals are achieved through intergovernmental negotiations. Consequently the NAFTA negotiating network has the potential to redefine the goals of the integration process.

2. - There cannot be economic regional integration without management. Europeans cannot pursue economic integration without political integration. The Union is the fulfillment of this, however we are not defending the assumption that the state has to combine both, instead we assume the perception that we should learn specifically from the European experience on regional institution building. Experience shows that markets as such, are not enough to organize one region, there is something else needed, an institutional system.

3. - EU studies teach us about key actors, the environment within which actors make decisions and the relationship between structure and action. The Single European Act (SEA) illustrates this key point. The SEA and the debate it has produced “are indicative of the importance of obtaining the diversity of theoretical starting points.”¹³

NAFTA is becoming a complex intergovernmental network. Moreover, non-governmental national actors are greatly turning their interests transnational, in order to pursue them at the regional level.

4. - There is no single theory of RI. On the contrary it has become legitimate to establish “eclectic exercises” to provide broad pictures and accounts of common study objects. Sharing trans-paradigm notions and “essentially contested concepts”, one can “establish constructive dialogues and to accomplish theoretical syntheses.”¹⁴

In this perspective, we do not intend to assess which theory suits better the NAFTA case; rather we propose to understand the theoretical challenge this process entails in a flexible manner. We need to be open-minded to scientific, normative and political arguments to observe the NAR in the light of the regional context in terms of the relationship between the need of a set of theoretical tools to discuss the NAFTA and the intensive practice of informal and formal integration that is taking place in North America. The current administrations in Canada, Mexico and the United States are gradually putting on the table different issues that are of common concern for the region as a whole. The U.S.-Mexican relationship deserves particular attention.

¹³ Ben Rosamond, op.cit., p. 5.

¹⁴ Idem, p. 7.

Even nowadays, the new government in Mexico, which was elected in 2000 to finally replace or displace the Institutional Revolutionary Party after 71 years in power, can also be observed as a sign for more intensive activity in favor of North American regionalism. President Fox has put forward the idea of reassessing U.S.-Mexican relations and consequently Mexican foreign policy

This opening entails, among other things, a revision of the notion of sovereignty and the principles that are the historical guidelines of this policy. Furthermore, Fox has made a proposal to his counterparts in NAFTA. He supports the creation of a *Development Fund* (like that of the EU) for Mexico. Theoretically speaking, this is the correct idea to attack externally and regionally the serious problems of development in Mexico.

Fox proves the tendencies we foresaw years ago, and he has gone far beyond by proposing to upgrade the NAFTA; he calls it NAFTA “plus”. This presumes a new agenda that can be outlined as follows:

- a) The integration of labor and environmental issues into the agreement. At the moment they are minor supplementary agreements.
- b) The strengthening of development strategies for less developed areas in the region.
- c) The expansion of coverage and competences of NAFTA’s weak institutional system.
- d) The assessment of the inclusion of new sectors and issues.

In short, we should avoid any frivolous definition of integration in North America. We will need to understand the different theoretical approaches to regional integration in order to develop our understanding of this process in the North American region. Thus, one of the main tasks is, whether formal or informal integration, whether integration within or without NAFTA, in North America.

International Theory, Theories of Regional Integration and a Liberal Intergovernmental¹⁵ approach for the NAFTA

In fact, we cannot construct a simple theory of regional integration either in a comparative perspective or from an International Theory (IT) viewpoint. Therefore, we should ask ourselves if it is fair to confine the regional integration theory to Europe. I think it is not.

¹⁵ Andrew Moravcsik, “Negotiating the Single European Act,” in Robert O. Keohane and Stanley Hoffman, *The New European Community* (Boulder: Westview Press, 1993); “Preferences and Power in the European Community: A Liberal Intergovernmental Approach,” *Journal of Common Market Studies*, 31 (4) 1993; “Introduction: Integrating International and Domestic Theories of International Bargaining,” in Peter Evans, Harold K. Jacobson and Robert Putnam, *Double-Edge Diplomacy* (California: University of California Press, 1997); “Taking Preferences Seriously: A Liberal Theory of International Politics,” *International Organization*, 51, 1998; *The Choice for Europe* (NY: Cornell University Press, 1998).

EU-NAFTA comparative perspective shall continue being extremely useful to perform empirical inquiries regarding the NAFTA experience, although this comparison is still very contentious. Those proclaiming the uniqueness of the EU do not share with us the relevance of EU studies within the broader debate of IT. Moreover, some people consider the EU case as the study of a new policy as opposed to the analysis of IT. In fact they are complementary.

We avoid committing the mistake of detaching EU studies from International Relations and International Political Economy theories. However, we have to assess if IR has under-theorized regional integration as a field or in fact EU studies fall better within the field of comparative studies or they need to cooperate for the analysis of the EU. "Because it is argued that the Euro-polity questions have supplanted the 'integration issue' as the most important for investigation in EU studies...[consequently] IR as a disciplinary starting point is incapable of asking the sorts of questions necessary to unravel the complexity of EU politics because it is a disciplinary discourse of interstate interaction and little else."¹⁶ In summary, we do not submit ourselves to the debate, which better explains the EU - Comparative Politics or IR?

Theoretically, let us reflect along the lines of domestic politics and two level bargaining theory stated by Andrew Moravcsik. He constructs his theory by looking at bargaining among states in international institutions as an outcome of state-society relations in domestic politics.

Moravcsik's liberal intergovernmental approach provides a bridge between international institutions (regional integration) and domestic actors and their preferences. His theoretical proposal looks at the connection between the intergovernmental network and domestic actors. There is a key point that distinguishes his theory from realist/intergovernmental/institutional theories. Whereas they see national interest arising in the context of a particular perception of a state, of its relative position in the state system, Moravcsik conceptualizes it as a result of state-society interaction provided by the domestic politics of the member state (EU for him, NAFTA for us). In sum, "National interests...emerge through domestic political conflict as societal groups compete for political influence, national and transnational coalitions form and new policy alternatives are recognised by Governments. An understanding of domestic politics is a precondition for, not a supplement to, the analysis of strategic interaction among states."¹⁷

Theorizing in terms of two-level bargaining, Moravcsik categorizes the linkage between national preferences and collective behavior of states in three analytical stages of policy making. For the purpose of looking at our case study, Mexico in the NAFTA and the role performed by businessmen in the construction of Mexico's national preferences vis-à-vis this process of negotiation, I will emphasize the first stage. This takes over the assumption from liberal theories of national preference formation. It takes domestic politics as the source of state interests and tries to explain the variation in states' interests that are acting in the international arena as an outcome of differing demands of different individuals and societal groups within the state.¹⁸ The primary

¹⁶ Idem, p. 159.

¹⁷ Moravcsik, "Preferences and Power in the European Community, p. 481.

¹⁸ Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining," pp. 544-545; Moravcsik, "Taking Preferences Seriously," pp. 24-50.

interest of governments is to maintain themselves in office; in democratic societies this requires the support of a coalition of domestic voters, parties, interest groups, etc, whose points of view are transferred through domestic institutions and practices of political representation. Through this process emerges a set of national interests or goals that in turn formulate the foreign policy (MFEP for us) of a state and the position it brings to international negotiations. Moravcsik calls these national preferences the “demand” side of European integration.¹⁹

Summing up, liberal intergovernmental approach points to two key points in any state bargaining: issue specific national preference formation and asymmetrical interdependence. That is to say, the agreement in negotiations is the outcome of issue specific national preference functions that reflect pressures from domestic constituents in response to international policy externalities.

Moravcsik’s proposal is in fact a “liberal theory of national preferences formation and an intergovernmental account of strategic bargaining between states.” At the core of his framework, there is an assumption of state rationality. The difference he establishes is that “rational state behaviour does not emerge from fixed preferences, but rather from dynamic political processes in the domestic policy.”²⁰

To avoid any neo-realist temptation or confusion, let us clarify that this theory focuses on the systemic determinants of state preferences, and thus, fails to address internal factors. Domestic preferences are not even considered. As with neo-realism, the neo-liberal school does not pay enough attention to domestic determinants of state preferences, hence this also neglects the interaction between domestic and international/regional determinants and factors in states preferences.

This approach is the one I adopt to approach the NAFTA. For the NAFTA case it is crucial to prove the key role played by interest groups in the historical decision (preference) taken by Mexico to join this regional process of integration.

This is also linked with a traditional IR debate. If we look at the recent debate on IT between neo-realism and neo-liberalism and beyond, we agree with Steven Smith when he sustains that rationalist theory is of restricted use in explaining European integration, especially given the current agenda facing the EU, because it has also a very restricted notion of politics.²¹ Consequently, Smith is approaching reflectivity and constructivist theories to look at the EU and integration theory.

I think to reduce our debate of the new regionalism to the systemic theories of International Relations could also be a big mistake. That is why despite the relevance or neo-realist and neo-liberal theories, it would be wiser to look at the dynamics of the North American regionalism linked with a new phase of the American hegemony and in relation to the various domestic dynamics that are actually interacting within the North

¹⁹ Moravcsik, “Preferences and Power in the European Community,” P. 483.

²⁰ Moravcsik, “Taking Preferences Seriously,” p. 20; Rosamond, *Theories of European Integration*, pp. 136-137.

²¹ Steven Smith, “International Theory and European Integration,” in Morten Kelstrup and Michael Williams (eds.), *International Relations Theory and the Politics of European Integration* (UK: Routledge, 2000), p. 33.

American regional space, not to mention International Politics after September 11, 2001.

The Mexican interdependence has led to an unprecedented process of regional cohesion as conceptually explained by Hurrel.²² The emergency of a cohesive regional unit between Canada, Mexico and the United States has very different meanings and objectives for the three partners involved, therefore swinging between the two ways of understanding this regionalism: a) as a means to compete with other regionalisms, and; b) as an organizing principle for policy within the regions across a range of issues. In other words, one can develop an analysis to look at not only the significance of the region vis-à-vis other regions, but also as the organizing guide of a nation building strategy.

If we focus our discussion on the second meaning, our case study should invite us to move quickly to look at regionalism not as an externality, but also as a definitive arena of *competing state strategies*. As Andrew Gamble and Anthony Payne's approach suggest, regionalism is a state-led project designed to reorganize a particular regional space along defined economic and political lines²³ within a global context. In summary, we assume as a key theoretical strategy to look at the deep causes of Mexico-U.S. integration in the NAFTA considering what can be characterized as the emerging formalization of the various levels of regional cohesion in the integration process space. Consequently, the link between regionalism, interdependence, and domestic-level theories are quite relevant to theorize on the nature of this new regionalism and particular preferences formation in Mexico.

One should go back to consider traditional theories of regional integration or those concerned with international cooperation. Thus, neo-functionalism and neo-liberal institutionalism could help to understand that the NAFTA is half way between a current N/S relationship and a "regional" partner as traditional wisdom addresses in regional integration theory. In other words, the Mexico-U.S. integration process can be seen as more than a North/South relationship, but less than a "regional" partner.

When observing what neo-liberal institutionalism shows, I agree with the argument that increasing levels of interdependence generate increasing demand for international cooperation. Regulations, rules and institutions arise because they help states deal with common problems and because they enhance welfare.²⁴ Despite the fact that institutionalization does not lead to supranationalism, a "set of rules" emerges to maintain themselves as the integrative reference for the members of the region to converge. This applies to the NAFTA.

If we manage to combine regional variables with domestic variables within an international context, we are sure our theoretical framework will be strength enough to explain why a region-building process is moving toward this direction and not the other. For instance, the convergence theory only explains that the NAFTA for Mexico did not rest on trade liberalization (much of which had already taken place) but on the expectation that the Treaty *would place Mexico into* a particular set of market-liberal domestic economic policies, isolating its economic reforms from the vagaries of the

²² Fawcett and Hurrel, *Regionalism in World Politics*.

²³ Andrew Gamble and Anthony Payne, *Regionalism and World Order* (UK: McMillan, 1996), pp. 6-10.

²⁴ Andrew Hurrel, "Explaining the Resurgence of Regionalism in World Politics," p. 350.

Mexican political system and settling the political power of those groups that have benefited from reforms.²¹ If this is performed without a strategy focused on a more nationalistic state, the risks are too many. We only need to observe the current international situation and the basis of the “set of rules” in force since 1990 for the NAFTA, which are much unfinished due to the strong vulnerability of Mexico towards the historical conjuncture in the region.