

# **‘Regionalization of Governance in Mexico and the Neoliberal Agenda on Development and Democracy’**

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## **Introduction**

In the last decades, neoliberal regionalism has become a dominant policy paradigm undertaken by governing and economic elites and some sectors of civil society in Mexico to participate in the governance of regionalisation processes. However, this policy option has challenged the prospects for an equitable, participative and inclusive development. Moreover, its discursive tenets and institutional expressions have impinged a substantive democratization of contemporary regional governance arrangements.

Acknowledging the important difficulties of combining growth with democracy in developing countries, this paper main argument is that neoliberal regionalism is not conducive of none of them. Therefore, my interest is that of examining some of the developmental implications of non-democratic regional arrangements in Mexico. In particular, I analyse some of the socio-economic and policy implications associated with the discursive and institutional frameworks of neoliberal regionalism. This is developed in three steps. I began with a brief examination of the discursive grounds of neoliberal regionalism as a dominant paradigm in regional governance. Then, I analyse the institutional dimension of regional governance. In particular, I explore how the discursive frameworks of neoliberal regionalism are expressed in formal governance structures. I do this by exploring the North American Free Trade Agreement (NAFTA) and the Free Trade Agreement signed between European Union and Mexico (EU-MEX Agreement). I focus on the objectives, agendas and decisional structures as well as the structural circumstances and actors' initiatives in Mexico that prompted these regional governance arrangements.

Finally, I explore some of the socio-economic and policy implications associated with the discursive and institutional frameworks of neoliberal regionalism. On one hand, I identify some of the challenges that the implementation of NAFTA and the EU-MEX Agreement pose to social development at different policy levels. On the other hand, I establish some connections between these challenges and the lack of substantial democracy in these institutions of regional governance. In this way, this paper contributes to draw some connections between democratic regional governance and social development, a relationship that under the ideological preponderance of neoliberal

regionalism has turned to be so problematic and often tense. At the end, the conclusion summarises the main points raised in this paper.

### **Neoliberal Discourses, Regionalisation and Regionalism**

Neoliberal discourses make reference to a set of ideas and normative values on economic policy that 'stresses the efficiency, welfare, and freedom of the market, and self-actualisation through the process of consumption' (Gill, 1995: 401). Certainly, there are substantive differences among 'neoliberal discourses', for example, Mexican neoliberal discourses have been characterised as 'orthodox' in relation to macroeconomic management and shaped by one-single party style politics (Middlebrook and Zepeda, 2003: 22-25, Pastor, 1998: 59-63). However, in general these discourses inform policy options that seek to enhance and protect the interests of capital and/or private initiative as the driven forces of economic growth.

As for regionalisation processes, neoliberal discourses assume above all else, the centrality of the market and their actors as the mechanisms for achieving further (economic) integration, convergence and cooperation and ultimately development among the members of a regional unit or between the participants of a regional transaction. From this perspective, trade liberalisation is necessary as it promotes export and reduces tariffs on imports creating more international competition and the possibility of one harmoniously integrated world-economy. The driven forces are world supply-demand, comparative advantages and opportunities of scale economies. As for governments, their optimal role is to ensure the smooth and relatively unfettered operation of regional markets and transactions. Therefore, an oversee role is assigned to the state; although more concretely their institutions play enforcement functions in the process of liberalising a national economy.

Neoliberal discourses on regionalisation also assumed that free trade and free movement of capital ensure that FDI will move towards most profitable sites which are those more efficient, this is to say, cost-effective. Therefore, according to some commentators an underpinning element in these discourses is the notion of equilibrium: free markets tend to move towards equilibrium of suppliers and consumers which is achieved by the invisible hand of the market.

In the last two decades, neoliberal discourses not only have informed regionalist projects in LAC, but have also constituted an ideational basis of the so-called ‘open regionalism’ (Mace and Belanger, 1999: 6-7). For some commentators open regionalism has ‘underwritten a liberal political economy perspective’ and it is basically related to economic efficiency and competitiveness issues (Breslin and Higgott, 2000: , Grugel and Hout, 1999: 9-10, Mittelman, 2000: 126-7).

According to open regionalism discourses there are benefits for countries when these are part of an open world-trading.<sup>1</sup> From this perspective, ‘open’ makes reference to ‘inclusion’ that in policy terms denotes non discriminatory measures and low entry barriers. Moreover, open regionalism discourses encourage links with the world economy, because in this way international competitiveness of the participant members increases. Therefore, it is assumed that open regionalism is welfare maximising for the entire international economy as trade and investment distortions or discriminatory policies are avoided.

More specifically, LAC open regionalism as a policy framework contrasts to ‘close’ regionalism of the 1950s-1970s, based upon the substitutions of imports as a means to achieve domestic industrialization and endogenous development. In the early 1990s, ‘close’ regionalism was characterized as an ‘exclusionary’ policy option for development as only the members of particular regional schemes received benefits from regional cooperation and integration. In contrast to this, open regionalism frameworks have been promoted as non-discriminatory to third parties and ‘compatible with multilateral goals of the WTO’ (Grugel and Hout, 1999: 4, Guerra Borges, 1995: , Guerra Borges, 1996: , Mace and Belanger, 1999: 18-35, Wise, 1998: 3, Phillips, 2000).

Unilateral trade liberalisation and the flexibilisation of national laws on foreign investments are examples of non-discriminatory policies that have been common in numerous developing countries (not just in LAC), but which Mexico’s deep and rapid process championed (Otero, 1996: 6-9, Wise, 1998: 7-12). Since 1986 when Mexico joined GATT, import licenses were cut in more than 2,200 categories that represented

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<sup>1</sup> See for example: CEPAL/ECLAC (1994). El regionalismo abierto en América Latina. La Integración al servicio de la Transformación Productiva con Equidad. CEPAL, Santiago de Chile.

the 37 per cent of the total value of imports and by 1996, Mexico was a country with numerous signed agreements promoting trade liberalisation. In 1999, Mexico's average tariff drop was from 34 to 13.2 per cent. Only the implementation of NAFTA meant that Mexico cut tariffs in virtually all manufactured goods from the US {Dussel Peters, 2003 #71; Estay Reyno, 2002 #77@32-5; Lustig, 1998 #67@114-20; {Polansky, 2003 #184@14} Wise, 1998 #104@12}.

As open regionalism is about selective integration and trade liberalisation according to national interests, it was expected that LAC countries would enhance their position in the world economy and reduce their vulnerability and external dependence (Bulmer-Thomas, 1996: 203-4, ECALC/CEPAL, 1994: , Gwynne and Kay, 2000: , Hurrell, 1995: 254-63, Mace and Belanger, 1999: 6-7). However, financial crises have displayed that not only LAC countries are largely dependent on external finance, but highly vulnerable to short term capitals. Moreover, open regionalist projects in the region have basically constituted 'reactive' forms of regionalism in the sense that these have been responses to 'catch up' with the intensification of globalisation and regionalisation of production, consumption and distribution of goods and services worldwide (Estay Reyno, 2002: 32-44, Gore, 2000: , Grugel and Payne, 2000: 32-44).

In Mexico 'open regionalism' discourses and policy frameworks have been undertaken by governing and economic elites only when these complement and contribute to advance and consolidate domestic neoliberal restructuring (Icaza Garza 2004). According to open regionalism, the Mexican export-oriented model of development has sought to integrate this country's economy into global markets through trade and investment liberalisation. Official schemes of regional integration and cooperation have been enacted as a strategic attempt to increase Mexican products' international competitiveness (Dussel Peters, 2003: 41-4, Lustig, 1998: 114-20, Wise, 1998: 1-7).

As for neoliberal regionalism, this is understood as containing elements of 'open regionalism' in the sense that it is not about shrinking from external competition, but also about 'catching up' with processes of regionalisation through trade and investment liberalisation (Hettne et al., 1999: xx, Wise, 1998: 3-7). In neoliberal regionalism frameworks, it is free trade that turns national markets into an economic unit and basically encourages the free operation of rule-based markets (Hettne, 1997: 238-

41 {Hettne, 1993 #110}. The rationale behind this policy option is that a fully integrated global market renders more benefits than a ‘middle step’ regional liberalisation/integration (Mittelman, 2000: 112)(Mittelman 2000: 112). However, contrary to open regionalism frameworks’ objectives – particularly those advocate by ECLACs – neoliberal regionalism subordinates national economies to the requirements of global markets (Guerra Borges, 1995: , Guerra Borges, 1996: , Mittelman, 2000: 40-5).

In the case of Mexico, contrary to ‘open regionalism’ frameworks objectives – at least those developed by ECLAC’s neo-structuralist proposals – import liberalisation has not been gradual and selective enough to enable Mexican enterprises to build up production capabilities and compete, but it has in the mid-term reinforced foreign companies’ position in domestic markets. As for financial liberalisation, it has undermined macroeconomic stability, has served to finance consumption rather than support investment and FDI has been a substitute for the lack of domestic resources (savings, tax collection) (Dussel Peters, 2003: 48-56, Dussel Peters, 2002 , Gore, 2000).

Moreover, on the whole the demand-side underpinning of neoliberal regionalist projects implemented by Mexican governments has in the mid-term contributed to weakening the state’s capacities to exert full control on trade and investment operations with important implications for social development. However, a caveat is important here, because in many developing countries this weakening has not been an ‘imposition’ but a decision of national governing and commercial elites.

In fact, neoliberal regionalism and its associated outcomes are the result of policy decisions undertaken in numerous cases thanks to the prevailing characteristics of Mexican political regime. More specifically, the particularities of Mexican authoritarianism characterised by an overwhelming concentration of power on the Federal Executive who *de facto* controlled the institutions of the state and the official party (PRI) has in the long term undermined an environment ‘conducive to freedom of expression, free association and to openly express discontent’(Flores-Olea, 1999: 556-61, González Casanova, 1995: , González Casanova, 1994: , González-Souza, 1998: , Middlebrook and Zepeda, 2003: 10-11, Olvera Rivera, 1998: , Olvera Rivera, 1992). Moreover, as is observed ahead, governing and economic elites and sectors of civil society in Mexico together with the recent installation of a ‘formal’ (limited) democracy

have been crucial in the ascendance of neoliberal regionalism as a dominant policy framework to catch up with processes of regionalisation.

Thus, 'open' and 'neoliberal' regionalisms two of the policy alternatives within a wider process - the so-called *new regionalism* - are driven by multidimensional forces from within countries and sub-regions such as cultural ties or economic transactions, and not just by political and/or security interests. Moreover, both sorts of regionalisms are not only built up from above by state's actions, but also from below by commercial and civil society sectors (Hettne, 1993: , Hettne et al., 1999: xv-xvi). Therefore, what follows identifies some of the structural transformations and actors' responses that have brought forward neoliberal regionalism as a dominant policy option to manage processes of regionalisation in Mexico.

### **Neoliberal Restructuring and Regionalisation**

Analyses on neoliberalism in LAC and Mexico often explain its ascendance as a dominant policy paradigm according to either structural/historical factors or to actors' initiatives. This section interweaves both levels of analysis with global, regional and national arenas to explain how this process has unfolded in contemporary Mexico.

From a national perspective, neoliberal restructuring in Mexico commencing in the late 1980s was implemented as a strategy to manage domestic macroeconomic instability. More specifically, the package of reforms comprehended fiscal management, privatisation of state assets, trade, and financial liberalisation. In terms of national development policies, these reforms meant the abandonment of import substitution (IS) and domestic industrialisation (1940-1980) and a shift towards an export-oriented strategy together with the relocation of private capital as the driven force of this process. Trade liberalisation, state's assets privatisation and financial deregulation policies were seen as central steps to achieving economic growth, attracting fresh capital and financing national development (Lustig, 1998: 116).

At regional level, in LAC the oil crisis (1973-1974) followed by economic stagnation, the debt crisis and the lost decade of the 1980s and the subsequent implementation of

economic adjustment programs (SAPs), undermined the state's developmentalist capacity and hence, its political legitimacy. For some commentators, this 'paved the way' for the ascendance of neoliberal orthodoxy (Grugel and Payne, 2000: , Gwynne and Kay, 2000: , Smith et al., 1994: 1-15). Moreover, it has been argued that the formation of regional blocs in Western Europe and East Asia and the decrease of US' world competitive rate were factors that incited US private capital to move towards LAC, contributing in this way to consolidate neoliberal restructuring agendas in LAC and Mexico (Drainville, 1999: , Hurrel, 1995: 263-9, Serbín, 1998: , Wise, 1998: 7-12).

As for the agents, it has been noted that important changes in values and perceptions among Latin American economic and governing elites, mainly their views on the US and on liberal democracy, were crucial for the ascendance neoliberalism (Mace and Belanger, 1999: 28-35, Phillips, 2000). In particular, commentators have noticed that the role played by a powerful and influential technocratic elite in Mexico, as in other LAC countries (US educated officials with degrees in economics), was crucial for the installation of a neoliberal orthodoxy and strong deregulation agenda that aimed at reducing transactions' costs for TNCs (Camp, 1996: , Centeno and Silva, 1998: 1-13, Gwynne and Kay, 2000: , Lustig, 1998: 10-3, Mace and Belanger, 1999: 28-35, Phillips, 2000). This is the conjuncture that has been identified as 'convergence' between economic and political elites in LAC towards market economy principles and liberal democracy. This 'convergence' was activated by deep structural transformations following the collapse of the USSR and the victory the Western-based model of democracy that positioned the US as the superpower in the region and that legitimated the so-called Washington Consensus (Bailey, 2000: 14-5, Gwynne and Kay, 2000: , Higgot and Phillips, 1999).

The core underpinnings of the Washington Consensus established that economic growth could be achieved through sound macroeconomic management, deregulation, liberalisation, and privatisation policies as these contributed to end market-distortions produced by state's interventions (Smith et al., 1994: 3-4, Stiglitz, 1998: 1-10, Williamson, 1990: 9-31). From this perspective, economic liberalisation, macroeconomic stability, reforms to the financial sector as well as to the state's role in the economy were considered as 'issues of first-order importance' (Stiglitz, 1998: 7). For this 'consensus', the causes of underdevelopment in LAC were related to macro-economic



mismanagement of policy-makers. In this way, its proponents left behind structuralist explanations previously developed by ECLAC (1960s-1970s) and which were focused on international structural conditions of the *centre-periphery divide* (Gore, 2000: , Mace and Belanger, 1999: 7).

The Washington Consensus principles were seen as pre-conditions to development for its followers and supporters in Mexico: the new technocratic elite in government, some commercial actors that identify potentials of expansion after economic liberalisation and some sectors of civil society (Camp, 1996: 196-200, Centeno and Silva, 1998: 1-13, Gwynne and Kay, 2000: , Stiglitz, 1998: 1-10). As for sectors of civil society in Mexico, the convergence towards the Washington Consensus principles meant, to forgetting aspirations of broad social change that had characterised social and popular movements in the country and the continent during the 1960s and 1970s (Gore, 2000: , Olvera Rivera, 2000).

Nevertheless, the 1990s financial crises in LAC and Asia and the widespread critiques and social pressure against the failure of the Washington Consensus receipts that 'fitted all' contributed to the emergence of other agendas of development. In short, as one commentator expresses: this 'Consensus' became nothing more than another 'agenda' (Gore, 2000: 796, Higgot and Phillips, 1999: , Nederveen Pieterse, 2001: 165, Stiglitz, 1998: 1-10). Therefore, some have celebrated the emergence of a post-Washington Consensus agenda informed by the UNDP Human Development perspective, ECLAC's and UNCTAD neo-structuralism proposals on trade and development as challenges to the narrow economic interpretations of the Washington Consensus on development. More specifically, these agendas and their followers have advocated for a stronger regulation of the market by the state and for the involvement of private agents in the allocation of public goods and poverty alleviation (Gore, 2000: 795-9, Gwynne and Kay, 2000: 150-6). For many others, none of these emerging agendas are real alternatives for development but reformist attempts (Nederveen Pieterse, 2001: 164-8).

As for Mexico, in official discourses there has been a gradual shift from a narrow economic interpretation to a more social democratic reinterpretation of regional integration. For example, the Mexican government has recently launched the North American Community proposal and the sub-regional cooperation scheme 'Plan Puebla

Panama', both of which integrate poverty alleviation issues, EU-style cohesion funds for the development of depressed sub-regions and acknowledge the relevance of civil society-business-government 'partnerships' (Jornada, 2002).<sup>2</sup>

### **Neoliberal Regionalism and Democratisation in Mexico**

Amidst the third wave of democratic transitions unfolding worldwide, the Pan-American model led by the US in the Western Hemisphere was attached to the promotion of free markets in the Americas and the promotion of democratic regimes (Domínguez, 1998: 4-10 and 15-8, Domínguez, 1996: , Hurrell, 1995: 260, Mace and Belanger, 1999: 28-35).

In Mexico, governing elites addressed the nexus 'free markets + democracy' by prioritising economic liberalisation under the assumption that economic freedom would ultimately drive political liberalisation (Middlebrook and Zepeda, 2003: 10-6). For example, some accounts documenting this 'prioritisation' noticed how it had the effect of 'delaying' a transition to a formal democracy in Mexico until 1997, when the official party "Partido Revolucionario Institucional" lost the majority of seats in the National Congress for the first time in 71 years (Dresser, 1994: , Dresser, 1998: 222-9, Fox, 1994: , Meyer, 2001a: , Meyer, 2001b).

Less has been said about this prioritisation as a crucial factor for the consolidation of neoliberal regionalism as a dominant policy option to participate from regionalisation. Fewer have also been said about how this also stimulated oppositional and self-protective responses, such as those coming from sectors of civil society critical to trade opening as an undemocratic imposition from above.

In the mid term, structural forces and agents' interventions have generated pressures at the global, regional, sub-regional levels to advance democracy and to open spaces for public participation and deliberation on the effects of trade opening. Despite this, after the transition to a 'formal democracy' a technocratic elite has remained uncharged of foreign policy and international trade negotiations as well as out of public view. This is observed in what follows in this paper.

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<sup>2</sup> <http://ppp.sre.gob.mx/index.php?option=displaypage&Itemid=141&op=page&SubMenu=>

### ***Institutions of Neoliberal Regionalism in Mexico***

This section analyses formal structures of decision-making and enforcement of NAFTA, and the EU-MEX Agreement to illustrate how neoliberal restructuring agendas in Mexico become a decision-making and enforcement governance complex as regards to regional governance. The section does not intend to be a comparative exercise between these regional governance arrangements, but a critical account of the structural circumstances and actors' initiatives in Mexico that prompted them.

#### *The North American Free Trade Agreement (NAFTA)*

At the beginning of the 1990s, the strategies of neoliberal elites in Mexican government to diversify the destiny of national exports included exploring possible cooperation schemes with EU country members and with Japan. The failure of these options meant taking a 'logic next step', which could secure the already ongoing economic neoliberal restructuring. This option was to sign an FTA with the country's major recipient of Mexican exports: the US (Lustig, 1998: 7-13, Otero, 1996: 1-2, Wise, 1998: 29). NAFTA negotiations officially started in 1991 and the agreement came into effect on January 1<sup>st</sup> 1994. NAFTA created the largest trade bloc in the world which in 1997 accumulated a total PIB of US\$8.8 billions and a total trade volume of US\$486 md. After nine years (1994-2003), three-way trade among Canada, Mexico and the US reached over US \$621 billion (Bailey, 2000: , Council-of-the-Americas, 2001: , NAFTA-Free-Trade-Commission, 2004).

For official representatives keen to trade opening, NAFTA was the vehicle towards the first world as this agreement would supposedly create more and better jobs, increase salaries, reduce migration to the US and promote the modernisation of the economy, in particular the agricultural sector. NAFTA supporters in and outside Mexico argued that all of this could be possible because the agreement would give Mexican exports preferential access to the world's largest economy. Pro NAFTA sectors also asserted that by institutionalising a *de facto* economic integration between Mexico and the US, net benefits such as FDI would *spill over* the less developed partners: Mexico, in first place, and then Canada. Moreover, NAFTA would promote scale economies in Mexico and

patterns of trade specialisation that would increase competitiveness rate and bring about economic growth and eventually contribute to reduce poverty (Council-of-the-Americas, 2001: , Presidencia, 1994).

From a regional perspective, NAFTA has been considered as part of the structural reforms which had been introduced by international financial institution in LAC since 1982, and the first step of a US hemispheric project for the region: the Free Trade Area for the Americas (FTAA) (Haggard, 1998: 302-5, Lustig, 1998: 213-9). According to a document produced by the Council of the Americas on the FTAA, this hemispheric agreement shall be built upon NAFTA's success: 'the continually-increasing benefits of NAFTA to the U.S. economy demonstrate the wisdom of proceeding along a similar path with other FTAA countries. U.S. trade with NAFTA partners is growing more strongly than trade with the rest of the world' (Council-of-the-Americas, 2001: 4, World-Bank, 2003).

More specifically, NAFTA does not establish a common external tariff, but works through complex rules of origin. In contrast to a Common Market, NAFTA excludes the free transit of people but allows that of goods, services and capital. NAFTA is not simply a trade agreement as it covered investment rules, the liberalisation of the service sector, intellectual property rights, and establishes dispute settlement procedures and parallel agreements on labour and environment. NAFTA is much more than an agreement on trade liberalisation: 'it goes far beyond the rules in the World Trade Organization (WTO) to include provisions on many issues that are only now beginning to be discussed in the WTO, issues such as investment, intellectual-property rights, competition policy, government procurement and services that many countries insist have no place in such an accord. NAFTA, for example, includes rules on the entire agricultural sector, which no developed country has ever completely liberalised' (HSA, 2003: 4). Moreover, the enactment of the North American Agreement on Labour Cooperation and the North American Agreement on Environmental Cooperation (the parallel agreements) expanded NAFTA's original objectives by incorporating some sort of 'social' regulations or parameters to managed common regional problems (Bailey, 2000: 21-7, Cooper, 2004: 65-8, Hurrel, 1995: 264).

NAFTA has often been assessed as having the EU model as a point of reference. Accordingly, NAFTA is characterised as a negative form of integration: ‘instead of focusing on what can be done the orientation is towards what should be avoided’ (Cooper, 2004: 68). Due to the fact that this agreement excludes the formation of suprastate political institutions it has been seen as a ‘superficial institutionalisation of a solid base of trade and investment flows’ that preceded it (Bailey, 2000: 21-7, Cooper, 2004: 67-9, Pastor, 2001). It is noteworthy that a common assumption in these analyses is that suprastate institutions are ‘positive’ and ‘more democratic’. Something that is not necessarily true as our following analysis on the EU-MEX Agreement displays.

As for NAFTA ‘institutions’, this agreement comprises a variety of complex decisional and enforcement structures such as the *Free Trade Commission* in which each national Ministry of Trade is represented. This Commission supervises the *ad hoc* Working Groups and Committees. As for day-to-day activities, these are conducted by NAFTA Coordinators: three senior trade department officials designated by each country (Canadian-Trade-Ministry, 2004: , Cooper, 2004: 66-8). The more ‘permanent’ institutional structure of NAFTA is limited to a Secretariat responsible for the administration of the dispute settlement provisions of the Agreement, a Labour Cooperation Commission (LCC) (in Dallas), an Environmental Cooperation Commission (ECC) (in Montreal), a Commission on Border Environmental Cooperation (in Ciudad Juarez, Mexico) the North American Development Bank (in San Antonio) and one National Administrative Office (NAOs) in each country-member (Canadian-Trade-Ministry, 2004: , Cooper, 2004: 66-71, Fernández de Castro and Iburguen, 2000: , Hakim and Litan, 2002: 1-23).

Moreover, some commentators notice that NAFTA has pushed forward a regional ‘convergence’ in some issue-areas between Canada, Mexico and the US government’s agendas, for example in security, energy and migration issues (Bailey, 2000: 21-27, Castañeda, 2004: , Castañeda, 2003: , Pastor, 2003: , Pastor, 2001). As for Mexico, NAFTA has also become a frame of reference, a ‘ceiling’ applied by the Mexican authorities in all subsequent bilateral or multilateral negotiations on trade and investment (ECLAC/CEPAL, 1999: 98). For example, in 1998 the governments of Mexico and Nicaragua signed an FTA that followed the same structure, chapters and proposals of NAFTA, including the lack of mechanisms to counterbalance the differences between

countries and/or national industries (Briceño Ruiz, 2001: , Saxe-Fernández, 1998). This is why some commentators have argued that in LAC, NAFTA has contributed to 'locking-in' wider liberalisation' as a policy option for development (Grugel and Payne, 2000: 201). This has also been named the extended 'NAFTA parity', which has been extended towards regional and transatlantic arenas.

*The Economic Partnership, Political Coordination and Commercial Agreement (EU-MEX Agreement)*

The EU-MEX Agreement was signed on 8<sup>th</sup> of December 1997 and came into force on 1<sup>st</sup> of October 2000. This agreement updated and expanded the framework for EU-Mexico bilateral relationship (a transatlantic one) in terms of political and economic cooperation (Briceño Ruiz, 2001: , European-Commission, 2001a: , Lebrija and Sberro, 2002: 5-7, Szymanski, 2002: 11-2).<sup>3</sup>

Formal talks regarding the EU-MEX Agreement started in 1995 and together with subsequent negotiations (1997-2000) constituted an important precedent for the overall redefinition of EU policy towards LAC: the so-called *new strategic partnership*. This partnership was agreed during the Rio de Janeiro's Summit in 1999 and has been updated in the subsequent ministerial Summits (Madrid in 2002 and Guadalajara in 2004) having as core principles: 'the introduction of a differentiated approach that adapts bi-regional cooperation with better-off countries in LAC through the promotion of activities of mutual interests and through freer reciprocal trade' (European-Commission, 1995: , IADB, 2004b: 36). Accordingly, in commercial terms EU cooperation policy towards Mexico has shifted from a Most Favoured Nation treatment (MFN) to a reciprocity status.

As for Mexico, it has been noticed that neoliberal elites in government considered the possibility of an agreement with the EU as an opportunity to reduce conditions of vulnerability. In other words, this agreement was negotiated as a step towards diversifying Mexico's foreign trade and foreign policy, of which the US had remained as the main focus and central priority (Lebrija and Sberro, 2002: 5-7, Presidencia, 1994: ,

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<sup>3</sup> Officially, this agreement is also known as Global Agreement

Presidencia, 2000: , Szymanski, 2002: 14-6){{Vega, 2003 #231@185-8}Ruíz Sandoval, 2002 #230@201-5}.

As for the EU, the implementation of NAFTA and the possible consolidation of the FTAA in LAC were two factors that activated the interest in negotiating a transatlantic free trade zone with Mexico as a means of consolidating the presence of European companies in the country and hence, in the North American market. This response from EU authorities has been characterised as a 'reactive regionalism' to NAFTA (ECLAC/CEPAL, 1999: 96, European-Commission, 2001a: 9, IADB, 2004a: , Ruíz Sandoval, 2002: 201-5, Vega and Mora, 2003: 185-8, Sberro, 2002).

Officially, the EU-MEX Agreement as being a third generation agreement is 'part of a comprehensive approach' dealing with sustainable development, macroeconomic stability, poverty alleviation and the consolidation of democracy and good governance (IADB, 2004a: 36-7). However, in more concrete terms, this agreement is heavily focused on commercial and investment aspects. For example as regards to budget allocations, in 2001 the promotion of economic cooperation aspect of the EU-MEX Agreement (the promotion of a Free Trade Agreement) received 35 per cent of the total EU budget on cooperation relationships with Mexico. Meanwhile social and development related issues together with cooperation to consolidate the Rule of law in Mexico received 30 and 10 per cent respectively (European-Commission, 2001a: 23-6).

The unusual process of negotiation that the EU-MEX Agreement followed (1997-2000) clearly illustrates that the interests of both parties were very much focused on trade and investment liberalisation. The EU Commission and the Mexican government conducted a 'parallel negotiation' contrary to the EU Commission 'standard' negotiations with third parties. Instead of discussing aspects of political cooperation and development conditions first, and then a gradual and reciprocal trade liberalisation, these three aspects – political cooperation, development and trade liberalisation - were negotiated at the same time (European-Commission, 2001a: 1-9, IADB, 2004a: 39-41, Lebrija and Sberro, 2002: 5-7, Ruíz Sandoval, 2002: 201-5, Szymanski, 2002: 25-34).

Officially, the benefits for Mexico would be that trade relations with Europe would be based upon stability and predictability 'replacing unilateral and temporary preferences

with reciprocally binding rules, and by establishing dispute settlement mechanisms' (IADB, 2004a: 36). However, as one commentator adequately asserts in relation to bilateral trade among unequal partners as the US and Mexico: 'securing expanded and stable forms of preferential access is the carrot that attracts countries to bilateral trade' (Shadlen 2003:15). Moreover, trade liberalisation was in official discourses a synonym for increasing competitiveness for local firms thanks to inflows of FDI from Europe.<sup>4</sup>

The implementation of the EU-MEX Agreement in 2000 was followed by a free trade agreement for goods (2000) and services and investment (2001). This FTA was called by the EU Commissioner of Trade, Pascal Lamy, "the first, the fastest, the best" because: it was the first ever transatlantic FTA signed by the EU, the fastest because it was negotiated in only a year (1998-1999), and the best because at the time it was the most comprehensive in terms of coverage that the EU had ever concluded including trade but also industrial cooperation and the promotion of investment (Lamy, 2002).

As for the other two aspects of the EU-MEX Agreement (political coordination and cooperation), as a 'third generation' agreement it also includes a democratic clause that compels the members to respect and follow the provision of the UN Chart on Human Rights. More specifically, the EU-MEX Agreement includes a chapter on cooperation on democracy and human rights. The objectives of this chapter include the development of civil society, the strengthening of institutions and the rule of law and the promotion of human rights and democratic principles in Mexico (European-Commission, 2001a: 1-2, Sberro, 2002: , Szymanski, 2002: 25-34).

As for the enforcement of the EU-MEX Agreement, officially its three components are enforced through meetings at Ministerial, high civil servant and experts' levels. However, after five years any mechanism has been created for the enforcement of the democratic clause. One source documents that the prevailing view among Mexican negotiators was that 'one thing was *trade* and other thing was *politics*' and that the democratic clause was a direct violation to Mexican sovereignty.<sup>5</sup> Therefore, for some, the rejection of Mexican government representatives of the democratic clause to some extent contributed to the

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4 For example see: (European-Commission, 2001a: 9-10)

5 Szymanski 2002: 31. Direct quotation from one member of the Mexican negotiation team.



lack of specific institutions or mechanisms for its enforcement (Ciudadanos and CIFCA, 2002: 65-8).<sup>6</sup>

### ***Social Development, Democracy and Neoliberal Regionalism***

This section explores some of the implications of NAFTA and the EU-MEX Agreement on social development and democracy. Of course it is well beyond the scope of this paper to establish the specific outcomes of these regional governance arrangements which can be analysed through diverse disciplinary approaches (economics, law, foreign policy), at different policy levels (local, regional, global) or through different methods (statistical regressions), to mention just a few possibilities. Therefore, some of the associated implications - in the short and mid-term - of these regional governance arrangements are examined asking who has benefited from them and to what extent these arrangements undermined democracy?

#### *Who has benefited from neoliberal regionalism?*

In recent years, it has been noticed that Mexican government market-oriented economic reform displays important limitations as a development strategy (Castañeda, 2004: , Middlebrook and Zepeda, 2003: 17-22). The opening question of this section aims to display the main argument of this paper: neoliberal regionalism, as part of the official strategy on development in Mexico, not only has had the effect of increasing macro-economic instability but also socio-economic inequality.

In particular, NAFTA and the EU-MEX Agreement as expressions of neoliberal regional governance have impacted on the making of social policy with important implications for social redistribution and social provision at national and sub-regional levels. These regional governance arrangements have maximised welfare but for small sectors of society in and outside Mexico, posing important challenges for an equitable, sustainable and participative development (social development).

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<sup>6</sup> Also Interviews 9, 11 and 13.

According to some commentators, deeper economic convergence has meant that some groups can 'adjust' and compete in global markets and some others can't (Rodrik, 1997: 2). NAFTA and the EU-MEX Agreement have not meant better socio-economic conditions or more efficient institutions dealing with income inequality or any other core problem in the country. On the contrary, in the distribution of benefits associated with the implementation of these regional governance frameworks there have been some winners and many losers, challenging in this form the bases for a social development (ECLAC/CEPAL, 2001: 37-42, Estay Reyno, 2002).

Of course that income inequality in Mexico is a huge structural problem that preceded any of the regional governance arrangements under examination here. Nevertheless, their implementation as part of the export-oriented model of development has been associated with the worsening of income distribution in Mexico (Arroyo Picard, 2000: , Boltvinik, 2003: 266-71, Dussel Peters, 2003: , Roza Bernal, 2002: 21-4). For example, income inequality has followed sub-regional dimensions in Mexico: those regions in the North and the Centre of the country connected to maquiladora production and with access to credits (e.g. agribusiness) are better off than those disconnected from it (Dussel Peters, 2003: 266-71, Middlebrook and Zepeda, 2003: 29-31, Morales, 1999).

Recent assessments on NAFTA have noticed that this agreement has not meant more and better jobs, neither has it helped to cut down the flow of Mexican migration to the US nor promoted a modern, export-orientated agricultural sector in Mexico. These were three of its main objectives (Audley et al., 2003a). For example, it has been noted that the agricultural sector in Mexico has lost 1.3 million of jobs since 1994 and the required million of jobs a year have not been created. 'The export manufacturing sector has barely kept pace with jobs lost in agriculture' in part due to imports of cheaper crops (Arroyo Picard, 2000: , Audley et al., 2003b: 3-6, Polansky, 2003: 17-20).

As for real wages in Mexico, the export-oriented strategy of development meant limiting wages increases in order to achieve macroeconomic stability, turning in this way, workers' low compensation as the basis of the country's comparative advantage. As a result of this, wages are diverging from, rather than converging with, those of better off partners' wages (U.S. or Western Europe) and these have remained below their 1980

levels (Arroyo Picard, 2000: , Middlebrook and Zepeda, 2003: 15-6, Polansky, 2003: 24-6).

On the whole, the total volume of Mexican exports has increased since trade liberalisation policies were implemented, but this increase has not been accompanied by better social wealth conditions: in 1999, almost 41 million of Mexican were poor, at the beginning of trade liberalisation reforms 15 per cent of Mexicans lived in extreme poverty and by 2002 this percentage increased to 28 (Deolarte, 2002: 123, Rozo Bernal, 2002: 21-4). It has been noticed that compared to the period before NAFTA came into effect, the top 10 per cent of households have increased their share of national income, while the other 90 per cent have lost income share or seen no change (Polansky, 2003: 13-4).

As for FDI flows, despite UNCTAD warnings on the elimination of all existing capital controls as part of any free-trade agreement, the Mexican government signed a Reciprocal Investment Promotion and Protection Agreement (IPPAs) with every EU member country. The IPPAs were enacted aiming at increasing productive capital inflows to Mexico through financial deregulation. In 2003, three years after the implementation of the agreement, it was observed that flows of FDI coming from Europe have basically contributed to increasing sub-regional disparity as 78.7 per cent is concentrated in urban areas (Mexico City, Nuevo Leon and the State of Mexico) (Pérez Rocha, 2003: , Rozo Bernal, 2002: 77-9).

In some other cases, commentators have established direct correlations between wealth distribution among countries and the implementation of these regional governance arrangements. For example, in the case of sub-regional organizations such as the Association of Caribbean States (ACS), it has been documented how the implementation of NAFTA had diversionary consequences in terms of apparel-related investment in the Caribbean (Briceño Ruiz, 2001: , Deolarte, 2002: , ECLAC/CEPAL, 1999: , Grugel and Payne, 2000: , Heron, 2002: , World-Bank, 2003).

In addition to this, the emergence and subsequent consolidation of a *Nafta parity* as a frame of reference for different sorts of transactions between Mexico and the EU and Mexico and other countries in LAC has established a precedent for North/South

relations regarding regionalisation. More specifically, NAFTA was the first FTA signed between such unequal partners on the basis of *national treatment status* (Cooper, 2004: , Domínguez, 2000a: , Flores-Olea, 1999: , González-Souza, 1998: , Saxe-Fernández, 1998). In Mexico, an implication derived from the shift of a *Most Favoured Nation* (MFN) status towards that of *national or reciprocal treatment* has been the absence of comprehensive governmental adjustment programmes with negative consequences. For example, decline levels of capital formation are associated to federal government lower expenditures (Griffin and Ickowitz, 2003: 582-9).

Moreover, sector-specific industrial policies were simply abandoned in favour of sector-neutral policies under the assumption that disparities in levels of development are overcome by giving to the less developed counterpart's gradual tariff reduction schedules (Estay Reyno, 2002: 32-45, Middlebrook and Zepeda, 2003: 16-22). This perspective has been followed in subsequent bi-lateral and multilateral negotiations and within multilateral mechanisms such as WTO.

Accordingly, for some commentators the state in Mexico has played a 'soft role' amidst structural reforms at least in terms of social development. In short, state institutions in Mexico '[have] not created a structure of incentives, or used its tax and expenditure policies or its power to regulate the private sector, to promote equitable and sustainable development'(Griffin and Ickowitz, 2003: 580).

For example, according to the EU mandate, the FTA signed with Mexico was negotiated by taking into account development asymmetries. This meant that Mexican producers have enjoyed a preferential timing in trade liberalisation. For example, Mexican fisheries imports from the EU will be totally free of quotas and tariffs by 2010. As for industrial goods' quotas and tariffs, these were reduced by 47 per cent in 2000 and up to a 5 per cent in 2003. By 2007 these imports will be 100% free (European-Commission, 2001a: 9, IADB, 2004a: 39-41). In short, negotiations of the EU-MEX Agreement guaranteed *NAFTA parity in real time* to European products in Mexico. In other words, some European goods would have free access to the Mexican market at the same time that US and Canadian products (2007). This of course is independent of the requirements of the sectors and producers affected. From the perspective of the Mexican government negotiators of the EU-MEX Agreement, trade was too insignificant to cause huge

distortions to non-competitive Mexican producers. In the words of one top Mexican government representative: 'if Mexico had been ready for NAFTA, it would be ready for this agreement' (Pérez Rocha, 2003: , Szymanski, 2002: 16and36).

Moreover, despite the fact that in NAFTA trade liberalisation has followed non-reciprocal timings, and established 15 years of transition period in agricultural products, in practice the Mexican government has allowed substantial above-quota tariff-free imports of sensitive agricultural products, such as corn coming from North America. According to RMALC documents, NAFTA established that by 2007 only 3,671, 385 tons of corn would entered the country free of tariffs, but in 1996 5,843, 726 tons entered without paying quotas (Polansky, 2003: 14, RMALC, 2003).

#### *Why neoliberal regionalism undermines democracy in regional governance?*

The implementation of NAFTA and the EU-MEX Agreement undermines the full realisation of a substantive democracy understood as a process where 'the many hold a real share of power and can use that power to improve the material conditions of life for those in the lower ranks of the social order' (Hubber, 1993: 94-95). In short, the institutional arrangements and discursive underpinnings embedded in these regional governance arrangements not only have precarious democratic credentials but have the effect of undermining popular control and equality in policy making rather than increasing it (Grugel, 2002: 7, Scholte, 2001: , Scholte, 2002).

There are different ways to interpret the nature of the democratic deficits that stem from NAFTA and the EU-MEX Agreement. The following paragraphs identify some of the embedded institutional and discursive democratic deficits of neoliberal regionalism in these regional governance arrangements and in the Mexican state institutions.

#### *Institutional Democratic Deficits*

The enforcement and procedural structures in NAFTA and the EU-MEX Agreement on the whole escape from wider and effective public control. This has also been true for Mexican state institutions involved in the implementation of these regional governance arrangements before and after the instalment of formal democracy.

At the level of the institutions as decision-making and procedural governance complex, NAFTA and the EU-MEX Agreement undermine a full realisation of democracy in various ways. For example, it has been extensively documented how negotiations of NAFTA and EU-MEX Agreement were in the hands of governmental officials and conducted outside of wider public scrutiny. On the whole, these proposals never left official circles (Executive and Legislative Branches) (Arroyo Picard, 2000: , Barenberg and Evans, 2003: 7, Brooks and Fox, 2002: 2-7, Hogenboom, 1998: 43-57, Szymanski, 2002: 44-5).

Moreover, the institutions created for the enforcement of NAFTA and the EU-MEX Agreement are also out of wider and effective public scrutiny. For example, the major decision-making 'body' in NAFTA is the Free Trade Commission, that does not has a fixed timetable for meetings and most of the time these are held on an irregular basis (Canadian-Trade-Ministry, 2004: , Sberro, 2002). Moreover, according to some commentators, the real 'decision-takers' of NAFTA are the ad hoc Committees and Working Groups whose procedures are far away from being transparent, to the extent that one of the priorities of the Canadian government in 2004 has been that of enhancing the transparency, accountability and effectiveness of these bodies (Canadian-Trade-Ministry, 2004: , Cooper, 2004: , Sberro, 2002).

On the whole, NAFTA mechanisms for dispute resolutions are also far from being democratic. More specifically, NAFTA investment provisions have established a de facto power of private actors on the development of administrative law in non-public (non open) tribunals (Barenberg and Evans, 2003: , Rosero, 2002: 1). In NAFTA, 'none of the arbitration systems allows public access to oral hearings. The decision whether to disclose documents containing substantive evidence and legal argument are left to the discretion of each tribunal and the parties to the cases' (Barenberg and Evans, 2003: 14).

Furthermore, NAFTA dispute resolutions frameworks empower private arbitrators under Chapter 11 regulations, which are the mechanisms responsible for sanctioning a state in question in a process that is not public (Barenberg and Evans, 2003: 16, Rosero, 2002: 1). For one commentator NAFTA: 'calls for unrestricted rights of repatriation of investment capital, payments, profits, and royalties, along with a guarantee of "fair"

compensation for expropriation. All of these are greater than the obligations under the WTO's Financial Services Agreement (GATS)' (Shadlen, 2003: 16). This is why NAFTA is for the same commentator 'a WTO plus' agreement. Notably, at the same time that Chapter 11 gives authority to private arbitrator panels, none of the resolutions of the institutions created to address environmental and labour concerns are binding (Barenberg and Evans, 2003).

As for the EU-MEX Agreement, it has been noticed that at procedural level important democratic shortfalls surrounded the creation of the Joint Council as the body with authority to complete free trade negotiations. More specifically, the creation of this body was possible due to the enactment of an 'Interim Agreement' signed in parallel with the EU-MEX Agreement. The Interim Agreement was the mechanism that gave a 'fast track' negotiation power to the EU Commission because it was focused on goods trade, which is a common policy and hence, it was competence of the European Commission. Therefore, while the EU-MEX Agreement went through the whole process of ratification by parliaments of all EU member states', the Interim Agreement did not pass through this process (Ciudadanos, 1999a: , IADB, 2004a: 39-41, Pérez Rocha, 2003: , Szymanski, 2002: 1623).

Moreover, it has been argued that the Joint Council is in contradiction with the Mexican Constitution as it remains under the competence of the Executive branch of both parties: in Mexico, the President; and in the EU, the Commission. Nevertheless, according to Mexico's National Constitution of 1917, the legislative branch (i.e. the Senators Chamber) should ratify the Executive decisions on foreign policy. This entails that the decisions of the EU-MEX Council should have had to pass through the legislative in Mexico. This issue was raised in the report presented to the European Parliament by MEP Caroline Lucas on January 2001 as speaker of the Commission on Industry, Foreign Trade, Research and Energy, but until now the Joint Council resolutions have not been ratified by the Mexican Senate (Lucas, 2001).

In addition, the EU-MEX Agreement contravened the EU general mandate in relation to the negotiation of FTAs with third parties. More specifically, this agreement was signed and ratified without undertaking a sustainability assessment on the implications of a FTA for the weaker counterpart (Mexico). In the First Forum 'European Union-Mexico Civil

Society Dialogue' held in Brussels 2002 a representative of the EU Commission ratified that sustainability impact assessments are supposed to be carried out prior to the negotiation of an agreement, but that the directive for its realisation in the case of the EU-MEX Agreement was not issued until after negotiations had commenced with Mexico, and therefore in this case these assessments had not yet been carried out. Nevertheless, in the same event one participant explained that the European Commission carried out certain assessments but that there had been no access to them arguing that these were conducted by private think tanks (Ciudadanos and CIFCA, 2002).

As for the Mexican state's institutions, these have been crucial for the enforcement of NAFTA and the EU-MEX Agreement. A long-term process of democratisation and the subsequent installment of an electoral (limited) democracy have had implications on the Mexican state and hence, on the development and consolidation of these regional governance arrangements. For example, many wondered if Mexico's authoritarian regime had the moral or political right to negotiate a free trade deal with two democracies when NAFTA negotiations started in 1991 (Aguilar Zinser, 1994: 205-7, Castañeda and Heredia, 1993: 78-9, Nader, 1993: 1-3). With the arrival of an electoral democracy since 1997, the EU Commission was one of the suprapstate bodies that praised the democratic credentials of the Mexican state, despite worldwide critiques of the regime's negative record of human violation by state authorities (Lucas, 2001).<sup>7</sup>

In the case of NAFTA ratification and its accompanying reforms, it has been emphasised that both were approved by a Congress dominated by the Executive Power and amidst a lack of public information. For example, in 1991 the leftist PRD representatives demanded information from the Executive on the progress of the negotiations without any results (Interviews 9 and 11).<sup>8</sup> In fact, this political party obtained the official text of NAFTA negotiations until March 1992 through RMALC members. This episode is known as "the Dallas draft leaking" (Aguilar Zinser, 1994: 207-10, Brooks and Fox, 2002: 7-11, Hogenboom, 1998: 51-67, Lujan, 2002).

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<sup>7</sup> [http://www.hrw.org/spanish/inf\\_anual/2000/americas/mexico.html](http://www.hrw.org/spanish/inf_anual/2000/americas/mexico.html)

<sup>8</sup> PRD: Partido de la Revolución Democrática



A one-party-dominant system has entailed that state authorities in Mexico at federal, municipal and local levels together with the legislative branch and the judiciary system, largely remain out of public sight, not only with regards to free trade and the processes of regional integration but also in relation to any other public concern. In Mexico, there is a lack of accountability mechanisms to hold state authorities publicly answerable for their actions. This is particularly true in relation to foreign affairs and foreign trade policies.

For example, it was not until 1995 that the Ministry of Foreign Affairs established a liaison office for civil society groups under international pressure on the Chiapas conflict. In 2002, a Social Organisations Liaison Unit was created under the competence of the Foreign Affairs Ministry to address civil society groups' demands in relation to the WTO Ministerial Meeting held in the city of Cancun and later on in relation to the Summit on Financing for Development in Monterrey. Until now this office - that only has three people as permanent staff - is the main body at federal level responsible for dealing with issues of civil society and Mexico's foreign trade relations (Interview 8).

The end of the PRI majority in the National Congress in 1997 opened up some spaces to opposition parties, which demanded more transparency as regards to foreign policy. For example, during the negotiations with the EU, deputies and senators from the PRD held informative sessions to discuss the possible effects of the agreement (Interviews 9 and 11).

As part of the process of formal democratisation in Mexico, local and federal courts previously controlled by the Federal Executive and the PRI, have started to handle issues related to the enforcement of NAFTA and the EU-MEX Agreement. For example, recently the Federal Court of Justice in Mexico (SCJN) emitted an unprecedented legal resolution in favour of local authorities regarding NAFTA's international disputes regime. Overall, the Court established that the federal government has no attributions to compromise local resources for the payment of obligations deriving from NAFTA international panels resolutions (Jornada, 2004).

*Discursive democratic deficits*

These above mentioned deficits are much grounded in how democracy is discursively addressed. Like in other regional and global institutions of neoliberal governance, in NAFTA and in the EU-MEX Agreement official discourses prevail a procedural understanding of democracy which for example, reduces it to a set of institutions and procedures to guarantee effective representation. Moreover, when democracy is discursively linked to the process of building up citizenship through consultations and ‘ownership’, non-particular mechanisms are created to promote this.

Due to an ongoing transition towards a formal democracy in Mexico, a discourse on democracy as the procurement of fair and clean elections has prevailed for a long time within Mexican state institutions. More recently, democracy has been understood as the promotion of the rule of law, the effective separation of republican powers and the accountability of governing authorities. Meanwhile, its practice is understood as a competence of governing elites. When the state institutions address democracy as linked to the building up of citizenship and enhancing popular control, concrete mechanisms and public policies created to achieve this rarely prospered.

An example that clearly illustrates this prevailing notion of democracy explained above is how civil society’s involvement in the governance of regionalisation has been addressed. In NAFTA and the EU-MEX Agreement as well as in numerous institutions of the state in Mexico, ‘civil society’ is most commonly understood as NGOs, business organisations, academics and sometimes labour unions.

From this perspective, NAFTA and the EU-MEX Agreement official documents acknowledge the importance of ‘engaging’ civil society stakeholders in processes of integration. In theory, the involvement of civil society is seen as necessary to discuss the preparation and operation of policies and projects. However, the involvement of some civil society actors has occurred to the detriment others. In short, in these three regional governance arrangements the participation of business associations, think tanks, Ngos and private foundations is more frequent. For example, in NAFTA Environmental Cooperation Commission (ECC), there is a Public Joint Consultative Committee integrated by non-governmental counsellors; and in NAFTA Labour Cooperation

Commission a national Advisory Committee was created with specialists from each country (Sberro, 2002).<sup>9</sup>

Moreover, the involvement of civil society groups has been focused on social and cooperation aspects and on procedural aspects rather than on substantive tasks. For example, technical and economic matters remain in the hands of close governmental circles: the Working Groups in NAFTA and the Joint Council in the EU-MEX Agreement.

More specifically, in the 'White Paper on Governance' and the report 'The Commission and NGOs: Building Stronger Partnerships' was stressed the importance of consultation with civil society organisations at all stages of policy development (European-Commission, 1999: , European-Commission, 2001b). Accordingly, the EU Commission report 'Country Strategy Paper: Mexico (2002-2006)' called for the involvement of civil society organisations in the implementation of social-related cooperation and political cooperation aspects within the EU- MEX Agreement framework (European-Commission, 2001b: 15).

It is noteworthy that, the main objective of political co-operation is the consolidation of the rule of law and democracy in Mexico as well as the protection of human rights and the promotion of growing trust of population in public authorities and so on. In practice, this aspect of cooperation has been implemented through a programme of reform for the judicial system and through actions in the human rights domain having governmental and non-governmental as official participants in Mexico (Ciudadanos and CIFCA, 2002: 70-5, European-Commission, 2001b: 15).

Nevertheless, in the case of the economic aspect of cooperation (the EU-MEX FTA) the main counterpart officially recognised by the EU Commission in Mexico is the Ministry of Economy. To be more precise, officials from this Ministry are responsible for the day-to-day activities related to the enforcement of the FTA and the Joint Council.

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<sup>9</sup> For a complete list of the Public Joint Consultative Committee of NAFTA Environmental Cooperation Commission: [http://www.cec.org/files/pdf/ECONOMY/builde\\_EN.pdf](http://www.cec.org/files/pdf/ECONOMY/builde_EN.pdf). For a complete list of the Advisory Committee of the Labour Cooperation Commission: [http://www.naalc.org/english/review\\_part2.shtml](http://www.naalc.org/english/review_part2.shtml)

It is noteworthy that those bodies responsible for receiving and channelling demands from civil society in these three regional governance arrangements have a narrow range of authority and a lack of enforcement capacity, they lack funds and staff and their resolutions are not binding. For example, one source documented in 2002 that ‘after seven years and twenty-three complains’ placed in NAFTA’s National Administrative Offices (NAOs) there have been ‘very few tangible results in terms of influencing government policies or private employers’(Brooks and Fox, 2002: 361).

In the case of the EU-MEX Agreement, this lacks of concrete provisions or mechanisms regarding human rights or environmental protection. In contrast, the Titles III, IV and V on Trade and Capital Movements and Payments establish specific standards that are subject to legal oversight (Ciudadanos and CIFCA, 2002: 13-5 and 77-9).

As for Mexican state institutions, top officials in the Ministry of Foreign Affairs (SRE) acknowledge the lack of resources among civil society groups in Mexico, hence their disparity in terms of their participation and involvement in public policies. However, due to the fact that the Ministry lacks of formal criteria to clarify what constitutes a civil society organisation, most of the programs are focused on formal groups. In overall, the assumption is that a level of formality and institutionalisation equals to legitimacy and representation (Interview 1 and 8).

### ***Conclusion***

This paper has elaborated an analysis of discursive and institutional manifestations of neoliberal regionalism in contemporary Mexico. It observes the ascendance of this policy option as a dominant economic and political paradigm among governing and economic elites and some sectors of civil society in Mexico keen on the Washington Consensus agenda and liberal democracy. The chapter also suggests that Mexican governing and economic elites adopted some aspects of ‘open regionalism’ policy frameworks when these were compatible with domestic neoliberal restructuring.

The chapter examines the social development deficits embedded in NAFTA and the EU-MEX Agreement as institutional expressions of neoliberal regional governance. It

concentrates on the objectives, agendas and decisional structures as well as the structural circumstances and actors' initiatives in Mexico that prompted these regional governance arrangements.

The last section of this chapter examines the socio-economic and political implications associated with the discursive and institutional frameworks of neoliberal regionalism. As for social development, the chapter illustrates how the implementation of NAFTA and the EU-MEX Agreement undermines its realisation because only small sectors of society in and outside Mexico have received the benefits of regional economic integration. Finally, the paper explores how this is related to the challenges that neoliberal regional governance arrangements place on democracy at different policy levels as these undermine rather than increase popular control and equality in policy making.

### **Interviews conducted in Mexico**

**Calderón Salazar, Jorge.** General Director. Instituto de Estudios de la Revolución Democrática (IERD) [Institute for the Studies on the Democratic Revolution], active member of the PRD, former Senator and member of RMALC and Ciudadan@s. December 1<sup>st</sup> and 8<sup>th</sup> 2003 at the IERD offices in Mexico City (**Interviews 9 and 11**).

**Pría, Melba.** Director. Social Organisations Liaison Unit. Ministry of Foreign Affairs (SRE). Federal Government. November 27<sup>th</sup>, 2003 at the World Trade Centre's SRE Offices in Mexico City (**Interview 8**).

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