



## **Cooperation, anarchy and interdependence**

### *The North American Free Trade Agreement*

#### **William Brown**

Let's pick up on the case of Mexico's accession to NAFTA because, in fact, this is a good example of how we can explore these contrasting approaches between realism and liberalism. Can you begin by explaining how a liberal might give an explanation of the North American Free Trade Agreement based on those two key concepts of absolute gains and a positive sum gain.

#### **Simon Bromley**

The liberal interpretation of NAFTA would look at Mexico's decision to approach the United States to form NAFTA broadly along the following lines. In the 1980s there were significant domestic changes in Mexican politics which moved Mexico economically away from a protected model of import substituting industrialisation to a much more liberal, indeed even neo-liberal model of economic development. That occurred, on the liberal analysis, primarily as a result of the exhaustion and problems of the previous model of development, so what you have there is an essentially domestically generated transformation of Mexican politics and economics such that Mexican elites came to define the national interest in Mexico in terms of an increasingly liberalised and increasingly open economy. Now there were international developments as well, the fall of the Soviet Union, the loss of export markets in Eastern Europe and so forth but the primary motivation for Mexican elites was the exhaustion domestically of the old model and hence the reorientation. That provided a new definition of the Mexican national interest in terms of economic openness, liberalisation.

The second element of the liberal model would be to argue that in pursuing those policies the Mexican elite was increasingly focusing on the absolute gains that Mexico might make through those policies rather than worrying about its position vis-à-vis its dominant northern neighbour, the United States, and that by pursuing freer trade with the United States it could enter into a positive-sum game, that is, an interaction with the United States, where the United States would benefit and Mexico would benefit. And so putting those two together – a reorientation of the national interest towards a focus on absolute gains plus the possibility of a positive-sum interaction with the United States – produces institutionalised cooperation and that's what we know as the North American Free Trade Agreement.

#### **Jef Huysmans**

I think from a realist perspective there's two remarks to be made. One is that this interpretation, the liberal interpretation, does not undermine the realist nature of international politics in the sense that the power difference between Mexico and the US is so big that US does not actually care too much, that even if there are some relative loss it wouldn't matter much because it would be at such a scale that it wouldn't affect the global position of the United States and its capacity to preserve itself. So that's actually an argument that liberal gains and cooperation can be played but under peculiar circumstances when the relative gains and losses do not dramatically affect because of the difference in position you start from, in power position, is so big that they do not matter in the global picture of international politics. The second comment from a realist perspective would be that the positive-sum game is actually a very rosy picture of what happened because it pictures as well if Mexico had a choice to some extent or they made the choice in their internal politics. If you look at how NAFTA came about, it was started off with an agreement between Canada and the US, so the two big ones agreed and what choices did Mexico actually have? So the only way to cover a bit of what they were losing anyway was actually to step in which is not really a choice, it's a form of cooperation but it's almost coerced cooperation, not in a literal sense.

This leads me to the second bit. Even if the United States, for example the big powers, don't overly play the power game in terms of coercive game where you try to bully the other ones into an agreement very visibly, the weaker states always know how powerful the big one is

and they anticipate because they know what will happen if they don't do. So, in that sense, there is a less rosy picture.

**William Brown**

So, Simon from Jef's realist corner what we have is a charge that the liberal case is really a rather woolly, perhaps inconsequential in terms of the big picture view of an agreement between a tiny power, Mexico and a great power, the United States.

**Simon Bromley**

I think there are two replies to that. The first is to concede straight away that liberalism doesn't have to be a theory of cooperation. As soon as you focus on interdependence it's perfectly possible that some states are in a position to manipulate that interdependence at the expense of others and in a sense that's what you're describing with the Canada/US agreement. There's a pattern of inter-dependence amongst three countries, Canada, Mexico and the United States. Two of them are in a position to strike a deal which adversely affects the third. So Canada and the US sign a free trade agreement. That worsens Mexico's position and then, as you suggest, Mexico in a sense has to run to catch up. So the liberal model can cope with those kinds of circumstances where coercion is applied through manipulating interdependence and I think it's quite important that we don't give a picture of the liberal model as just a theory of cooperation. It can be a theory of coercion and of conflict. All the liberal model is committed to is that cooperation is, in principle, possible. It's not saying that is always what is going on. So, in a sense it's not damaging to the liberal model to concede your second claim that, in joining NAFTA, Mexico in a sense was running to catch up. Jef's first point is that the liberal story, in a sense, is the icing on the cake: it's fair weather cooperation that doesn't affect the big relations of power. I think that's a much more difficult one to answer but let me just throw in one consideration. The United States is engaged with extensive trade liberalisation and investment liberalisation vis-à-vis China currently. China's position in the international system is rising very rapidly, it's growth rates over the last two or three decades have been many, many times those of the United States and thus far there's very little sign of the United States trying to change that situation, trying to slow down China's much more rapid growth. So, presumably the United States is concerned about it's relative power vis-à-vis China – it would be bizarre if it wasn't – but it is also engaged in very, very extensive economic cooperation which thus far has resulted in a rise in China's relative power vis-à-vis the United States. Now the jury's still out on that one and things may well change but there might be grounds there for a more optimistic liberal assessment than a view that we're always locked in zero-sum rivalries.

**William Brown**

Presumably a realist response to that would be that once China's gains are of a significant magnitude to bother the United States then the relative consideration comes in and in some ways a good deal of this debate hangs on the relative importance of relative gains on the one hand and absolute gains on the other in the calculations that states make about their relationships to one another.

**Simon Bromley**

At the heart of the realist view, I think, is the assumption that, in the end, because of security and because of anarchy relative gains will trump absolute gains and I think that the heart of the liberal view is the view that there is no reason in principle why absolute gains couldn't become to be defined as more important than relative gains, that in a sense the security issue can be finessed by interdependence.

**William Brown**

Jef, what's the realist response to this?

**Jef Huysmans**

Well there are several elements one could throw into the pot from a realist perspective but let me just mention one which is that, of course, the US is building up and stimulating free trade with China, but at the same time it has been successfully putting a lot of pressure upon the European Union so as not to increase arms sales to China, which shows again that it's fine to cooperate but at some point when it comes to the hard core of survival China can increase

economically but when it comes to getting sophisticated armoury, which then leads into increasing its military power considerably, the big powers call a stop to it. So, in that sense, I think it's important to see that absolute gains, free trade, cooperation can work but ultimately at some point one reaches a limit and that's the point when security starts playing and at that point one calls a halt to cooperation.