Economists, Capitalists, and the Making of Globalization: North American Free Trade in Comparative-Historical Perspective[1]

Malcolm Fairbrother
University of Bristol

Why did globalization happen? Current explanations point to a variety of conditions under which states have made the free market policy changes driving international economic integration since the 1980s. Such accounts disagree, however, about the key actors involved. This article provides a reconciliation, showing how two different combinations of actors, and two different political economic pathways, have led to globalization in recent decades. In developed countries, mobilization by business has been central; elsewhere, technocrats both constrained and empowered by international finance have pursued globalization more independently of business. In both contexts, economists' technical authority has helped legitimate liberalization, despite the limited diffusion of their ideas. The article validates and elaborates this model using a comparative-historical study of how the United States, Canada, and Mexico proposed, negotiated, and ratified agreements for free trade in North America.

In early 1980, the federal governments of Canada and Mexico publicly rejected suggestions from a range of U.S. politicians that the three countries should pursue some form of continental economic integration. At that time,

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instead of enhancing economic integration with the United States, the Canadian and Mexican states chose to restrain it. The next 14 years, however, witnessed the establishment of a bilateral Canada-U.S. Free Trade Agreement (CUFTA) in 1989, and then a trilateral North American Free Trade Agreement (NAFTA) in 1994. This article presents a comparative-historical study of this process. Why was the state in Canada and Mexico, as in many other countries, so much more supportive of international economic integration by the 1990s compared to the early 1980s and before?

The case of North American free trade speaks to the linked ascendancies of neoliberalism (market-oriented public policies) and globalization (growing economic integration among nations via trade and direct investment).[2] While social scientists have written extensively about both, existing research seeking to explain them remains inconclusive and inconsistent. In particular, previous studies disagree about the roles and power of two key actors: businesspeople and economists. Some explanations of the rise of neoliberalism and/or globalization emphasize the influence of capital, while others deny it. Likewise, some studies place economists at the heart of free market policy shifts, while others question such a view. To better explain the rise of globalization, this article seeks to resolve these debates. To what extent, in what ways, and under what conditions have businesspeople and economists each contributed to the neoliberal policy changes driving international economic integration?

Previous studies of the rise of globalization have tended not to clarify how broadly their arguments apply. But few if any present the experiences of the countries they discuss as sui generis. Instead, explicitly or implicitly, they present them as *cases*—that is, instances of a broader phenomenon of which they are to some degree representative (Abbott 1992; Gerring 2004). Their aspiration therefore appears not only idiographic but also to some extent nomothetic, with individual cases understandable in terms of more general processes and relationships, albeit with local variations (Kiser and Hechter 1991; Mahoney 1999). If so, then it seems different general arguments are competing to explain the rise of globalization.

Rather than adjudicating among them as competitors, however, this article reconciles four major arguments in the literature, showing how two

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[2] To clarify, this article does not address important but more noneconomic aspects of globalization nor increases in international migration and the growing integration of financial markets.

different combinations of the actors they emphasize have led countries to become cases of proglobalization policy change. In brief, in developed countries, private sector mobilization has been central to the rise of globalization. In developing countries, economists at the helm of the state have pursued globalization more independently of domestic business; "technocrats" in these contexts have been both empowered and constrained by their relationships with international financial institutions and foreign creditors. Economists outside the state have helped legitimate proglobalization policy changes in both contexts, but their influence has followed from recognition of their technical authority generally, not from the subscription of noneconomists to economists' ideas. Reflecting the four arguments that are its component parts, this model of globalization's rise is strongly narrative in character, centered on key actors and events involving them (see Abbott 1992; Abell 2004). At the same time, the model maps cross-national differences in the central agents and processes behind globalization onto broader, enduring differences in countries' political economic circumstances. Longitudinally, actions by elites represent causal mechanisms and the proximate causes, linking changes over time in countries' circumstances to key policy changes. In this sense, clarifying the key actors involved can also help to identify the more remote or structural causes of globalization.

Empirically, the locally specific pathways by which the U.S., Canadian, and Mexican states arrived at decisions to negotiate and ratify North American free trade broadly validate the model. Adopting a structured comparative-historical approach, the article compares the three countries both to each other and to themselves at different times, illuminating important differences and similarities among the cases as well as conditions that changed—and did not change—within each country over time.

NAFTA, which expanded on the narrower Canada-U.S. Free Trade Agreement negotiated bilaterally five years earlier, is both a useful empirical case and an important historical event. NAFTA established unprecedented ties within an economic region spanning the developing and advanced capitalist worlds, liberalizing trade in goods, services, and agricultural products among Mexico, Canada, and the United States. It opened up several major sectors of the Mexican economy to foreign capital and included innovative (and controversial) broad new protections for foreign investors and intellectual property rights. These measures influenced the latter stages of the Uruguay Round of multilateral trade negotiations, which created the World Trade Organization, and NAFTA has served as a model for many subsequent agreements signed with other countries. The effects of CUFTA and NAFTA on the economies of the three countries involved have proven substantial (see fig. 1). For Canada and Mexico, globalization arrived largely in the form of North American free trade; the two agreements have been less transformative for the United States but have

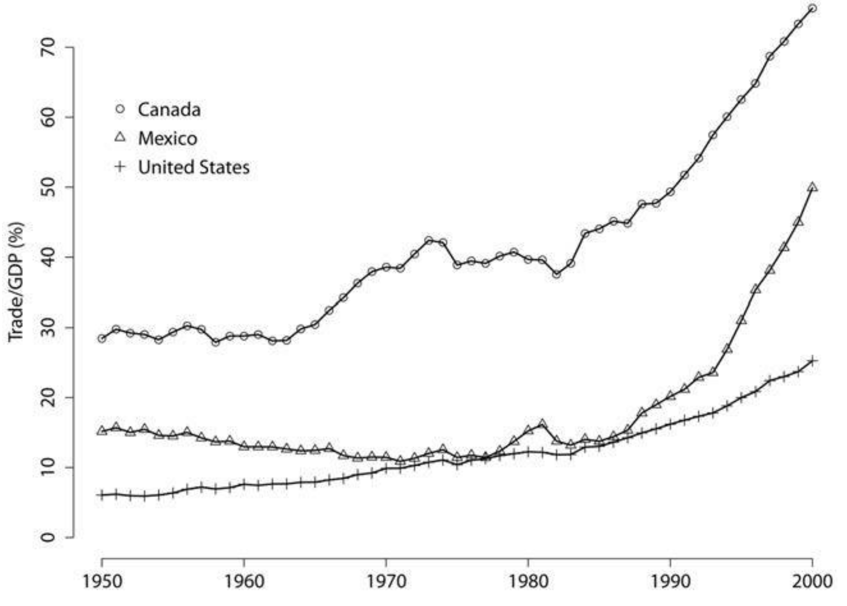

FIG. 1.—Trade as a share of GDP, 1950–2000. Taken from Penn World Table 7.1

still been important contributors to the growing internationalization of the U.S. economy.

The first section of this article reviews four distinct explanations of economic globalization, each focused on a different actor, and then presents a reconciliation wherein two different combinations of actors define two different pathways leading to globalization. The second section outlines a comparative-historical approach to the study of globalization and describes the research design and evidence employed in the rest of the article. The third through fifth sections provide narrative accounts of the pathways by which the U.S., Canadian, and Mexican states each arrived at the decision to embrace North American free trade. A final section concludes.

THEORIES OF ECONOMIC GLOBALIZATION

The fatalistic views of some journalists notwithstanding (Friedman 2000), globalization is not out of human control. With the arguable exception of finance, economic globalization is predominantly driven not by technological changes (such as the rise of the Internet, containerization, and air freight), but by changes over time in public policy (Garrett 2000; Evans 2005). Efforts to quantify the effects of policy as opposed to technological changes, at least in the area of trade, have concluded that the former have been substantially more influential (Baier and Bergstrand 2001, 2007). The proximate causes of increasing trade and foreign direct investment over the past 30 years have been decisions made by states, particularly decisions to sign new international agreements or accede to existing ones (Chorev 2005; Fligstein 2005). The General Agreement on Tariffs and Trade, bilateral investment treaties, and double taxation treaties, to name three examples, have been shown to have substantial effects (Neumayer and Spess 2005; Goldstein, Rivers, and Tomz 2007; Neumayer 2007). Explaining the acceleration of globalization since the 1980s therefore entails explaining why the priorities of so many countries have changed relative to before. Previously, many countries sought to restrain their integration into the international economy, using policy tools such as trade tariffs and quotas, and barriers to foreign investment (Krasner 1985; Frieden 2006).

Policies and international agreements fostering rather than restricting cross-border economic integration are part of the broader package of market-oriented policies, widely referred to as "neoliberalism," which has swept the globe since the 1980s and rolled back many state interventions introduced over the course of previous decades.[3] But while labeling these policies "neoliberal" is useful as a shorthand, arguments that lump them all together (e.g., Harvey 2005) risk obscuring important distinctions among policy areas (see also Hall and Lamont 2013). There is no reason to think that the same factors drive all kinds of neoliberal policies. One particularly important distinction is that while proglobalization policies are neoliberal policies, not all neoliberal policies are proglobalization; some are domestic rather than international. The privatization of state-owned enterprises, income tax cuts, or reduced spending on social welfare, for example, have no intrinsic connection to international economic integration.

This section reviews four major theories seeking to explain the rise of globalization, each of which emphasizes a different type of actor as the key agent behind proglobalization policy change. Some accounts link these agents to specific political economic factors or contexts motivating or empowering them to pursue globalizing policy changes. I summarize each view, noting both reasons to subscribe to it and reasons to question it. After discussing the four approaches, I propose a two-pathway synthesis and reconciliation.

Business

The first approach attributes proglobalization and/or neoliberal policy changes to proactive lobbying and campaigning by business, especially big

[3] I use "neoliberalism" as a label for free market policies, not any specific beliefs, principles, or ideologies (cf. Fourcade-Gourinchas and Babb 2002, p. 533; Mudge 2008, p. 706; Campbell 2009, p. 264).

business (Cowles 1995; Van Apeldoorn 2000, 2002; Dreiling 2001; Sklair 2002; Carroll 2004; Duménil and Lévy 2004; Robinson 2004; Harvey 2005; Howard and King 2008; Dreiling and Darves 2011; Murray and Scott 2012). When a country's private sector presses for substantial proglobalization changes to the country's existing public policies, this perspective suggests that the desired policy changes should soon follow. Business typically benefits, so this argument goes, perhaps at the expense of other concerns and/or actors. One variant of this argument stresses the power of multinational corporations in particular (e.g., Robinson 2004), while another sees business pressure for globalization (and other neoliberal policies) specifically as a backlash against the profit-suppressing effects of the welfare state and labor and environmental regulations (Duménil and Levy 2004; Harvey 2005).

A common rejoinder to this class-based view, however, is that business unity vis-à-vis international economic policy is unachievable, particularly because of interindustry conflicts of interest with respect to trade; consequently, "business" as a whole could never be an advocate of liberalization. Consistent with this view, and with arguments that business tends not to be a unified political actor in general (Hart 2004), Chorev (2007*a*, 2007*b*) suggests that capitalists are not often unified in support of globalization—though she also says that they do not have to be for states to take large steps toward it. Her argument is that private sector advocates of globalization realize their goals when they are able to install new institutions that expand their political influence vis-à-vis their opponents. Similarly, for the United States and Canada specifically, Hiscox (2001) argues that social classes have long been internally divided on the issue of trade. Such findings make theoretical sense given the notion of comparative advantage, which lies at the heart of modern economics' view of trade and implies that the benefits of trade liberalization are reaped precisely by moving a country out of some productive activities and into others. Both the workers and the employers in firms and industries who stand to be displaced by the added competition that international integration will embody, in the form of increased imports, will tend to be "protectionist"—opposed to free trade generally or at least free trade for their industry specifically (see, e.g., Busch and Mansfield 2010).

Economists

The second approach shifts the focus to a specific category of technical experts: economists. In this view, recognized policy experts can use the force of their expertise to convince politicians and/or the general public to support the proglobalization policies they favor. Economists in universities and think tanks may have no formal policy-making authority, nor exceptional financial resources, but they have substantial intellectual credibility with respect to economic policy making (Cypher 1993; Rupert 2000; Montecinos and Markoff 2001; Bockman and Eyal 2002; Sheppard 2005; Fourcade 2006). Fourcade (2006, p. 157) thus argues that economists have "the authority to reconstruct societies according to the principles of the dominant economic ideology." Bockman and Eyal (2002, p. 311) suggest that "neoliberalism . . . was made possible and constructed through the dialogue and exchanges that took place within . . . transnational network[s]" of economists during the Cold War. King and Sznajder (2006, p. 754) claim that "neoliberal economists designed the radically antistatist shock therapy policy package that served as a blueprint for economic change in the postcommunist world." And Campbell (2009, p. 265) says that "central to [the rise of neoliberalism] was the economics profession." Consistent with these arguments, Kogut and Macpherson (2008) find that countries that were home to higher numbers of American-trained economists were more likely to embrace privatization as a policy in the 1980s and 1990s—a correlation that is comprehensible in light of the particularly strong market orientation of U.S. economics.

U.S. economists have long been critical of state intervention in the area of international trade, though surveys also suggest that with respect to domestic economic policies such as taxation and social welfare spending U.S.-based economists tend to favor substantial state intervention (Kearl et al. 1979; Frey et al. 1984; Alston, Kearl, and Vaughan 1992; Blendon et al. 1997). In the latter regard, Prasad (2005, 2006) agrees that few American economists supported the more radical free market policy changes of the 1980s. Nor, she says, did many economists subscribe to the key economic ideas of the Reagan administration or the Thatcher government in Britain. Somers and Block (2005), similarly, argue that economists do not support the "market fundamentalist" ideology behind important recent American policy shifts. These arguments provide less reason for thinking that economists have contributed to the rise of neoliberalism.

Economists themselves, moreover, do not perceive their own ideas to have much currency in the political world, at least in some policy domains, such as international trade. Krugman (1996, p. 74) says that academic trade economics has "hardly any real influence" and that "the kinds of ideas that are offered in a standard economics textbook do not enter into [the public discourse of] policymakers, business leaders, and influential intellectuals" (ibid., p. 70). For neoclassical economists, the broadly "mercantilist" character of most international trade negotiations—where governments seek export access to foreign markets and offer "concessions" in the form of import access at home—make little sense (Krugman 1997). With a few caveats, economists believe countries benefit from trade liberalization no matter whether any other country liberalizes as well (see e.g., Bhagwati 1988).

From their perspective, the valuation of exports over imports must be based on some simple ignorance and/or the differential ability of exporting and import-competing industries to recognize how they are affected by trade restrictions or liberalization (Krueger 1990; Ethier 2004). The prevalent notions that countries compete economically, and that trade policies and trade balances substantially affect employment, are also inconsistent with mainstream (neoclassical) international economics (see, e.g., Krugman 1993*b*).

More generally, Prasad challenges the view that "ideas" in general exercise much influence over policy outcomes, on the grounds that political actors tend to seek out ideas supporting their policy agendas but seldom choose their agendas because of the ideas to which they have been exposed. In her view, policy makers' agendas derive predominantly from material and institutional opportunities and constraints; the theories and policy recommendations of outside actors—such as economists—find favor inside the political world only when they coincide with agendas to which key policy makers would have subscribed anyway (2006, pp. 20–21). Such a view is consistent with much of the sizable literature on the political economy of trade policy making, which tends to explain policy makers' choices in terms of their strategic pursuit of reelection and the rewards of catering to outside interest groups (see, e.g., Busch and Mansfield 2010). Arguments about the ideological power of economists are more consistent with sociological literatures emphasizing norms and ideas, and institutional differences among countries that condition which (idea-bearing) nonstate experts gain access to policy makers (Fourcade-Gourinchas and Babb 2002; Campbell 2009; Campbell and Pedersen 2011).

Technocrats

The third approach emphasizes economists within rather than outside the state. In studies of this kind, economists exert influence because they are holders of high-ranking posts in the state hierarchy—"technocrats" or "technopols" (Centeno and Maxfield 1992; Centeno 1993; Domínguez 1997; Centeno and Silva 1998; Schneider 1998; Babb 2001; Teichman 2004; Chwieroth 2007). These are state actors whose biographies—that is, their previous academic training in economics—makes them more intrinsically (intellectually) committed to free market and proglobalization policies than other potential holders of the same posts. In contrast to economists outside the state, technocrats possess sufficient formal authority over policy making such that their preferences exercise significant direct influence over key outcomes. To the extent that a state is dominated by economists, it is a technocracy. Fligstein (2005, p. 185) suggests that the United States is a technocracy, for example, in saying that economists "dominate the economic policymaking of the U.S. government." Economists may exercise policy influence as bureaucrats, or become politicians, on the strength of their perceived expertise and professional credentials, particularly if they have received advanced training in prestigious academic institutions (e.g., Markoff and Montecinos 1993; Dezalay and Garth 2002). As evidence for such a view, Chwieroth (2007) finds that states with top officials educated in high-ranking U.S. economics departments have been more likely to liberalize international capital controls.

The contrary view, however, is that technocrats owe their positions to the congruence between their policy preferences and agendas, and the incentives confronting them or their political masters (Geddes 1995). If their preferences start to diverge too much, they can quickly be replaced, demonstrating the fragility of their power. Geddes's skepticism about the power of economists in government is thus similar to Prasad's skepticism about the power of economists' ideas.

International Finance

Congruent with this more circumspect view, fourth, some research ties the rise of technocrats to developing countries' external economic relations, especially relations of financial dependence in the context of indebtedness and economic crisis. Debt, and engagement with international financial institutions (IFIs) like the World Bank and International Monetary Fund (IMF), can shift the balance of power in domestic politics, providing an advantage to those who agree with the external actors' policy priorities and allowing for market-oriented policy revolutions to be implemented as an "inside job" (Schneider 1998; Babb 2001, 2013; Dezalay and Garth 2002; Teichman 2004; Woods 2006). Technocrats may gain power vis-à-vis more statist and nationalist domestic competitors because of support and resources from the IFIs, such as information and endorsements (Teichman 2004); because economists appear most able to negotiate with key international lenders (Babb 2001); or because their promotion provides useful signals that a country will enact policies favored by the IFIs (Schneider 1998). Engaging with and receiving the support of the IFIs also helps attract private capital (Gould 2006).

Some studies, therefore, represent technocrats as pawns of external influences and constraints. Such a view leaves ambiguous whether the technocrats "matter," in the sense that their policy choices differ from those of other actors who might otherwise have occupied the same positions of policy making authority. Arguably, the political economic circumstances in which policy makers find themselves—including the relevant constraints, pressures, and incentives—overdetermine the policy choices they make. If so, then technocrats' identities, biographies, and intrinsic policy preferences are unimportant. Starker arguments about the power of international finance suggest that the IFIs, large foreign states, and/or private creditors simply dictate the policies they want indebted states to follow (e.g., Margáin 1995; McMichael 2005). Technocrats may appear to have more power than they do, because their policy agendas happen to suit the material and institutional opportunities and constraints confronting them. Though the studies in which they appear may be one and the same, therefore, arguments presenting technocrats as exogenous influences on policy differ from those presenting technocrats as agents of externally imposed agendas. In the latter view, the real determinants of globalization are the international financial institutions and creditors, not technocrats (or other domestic actors) at all.

There are studies, on the other hand, that question the apparently substantial power of the IFIs and the influence of financial constraints (e.g., Armijo and Faucher 2002). Pop-Eleches (2009) argues that in the absence of domestic collaborators, the IFIs are relatively uninfluential; significant policy change requires states that really want it. And Vreeland (2003) shows that sometimes states effectively choose to bring in the IMF because it serves as a useful political scapegoat for unpopular policy changes they want to make anyway. Like economists, the mere presence of the IFIs cannot be taken as evidence of their making a difference vis-à-vis the alternative.[4]

A Two-Pathway Model

Existing studies thus point to a variety of actors as central to the rise of globalization, linking them to different power resources, subjective motives, roles in policy making, political economic contexts, and sequences of events. Such arguments are inconsistent if not contradictory—if businesspeople are the primary agents of globalization then technocrats cannot be—but the remainder of this section outlines a means of reconciling them. The reconciliation requires recognizing that two different combinations of the four types of actors discussed above bring about globalization, with countries therefore embracing international economic integration in recent decades via two different political economic pathways. Such a view builds on Fourcade-Gourinchas and Babb's (2002) observation that there have been important differences in the ascendancy of neoliberalism in different country contexts (see also Mudge 2008).

Studies of developed countries have frequently argued for the power and influence of business in neoliberal policy shifts (e.g., Sklair 1995; Rupert

[4] The IFIs are staffed predominantly by economists and strongly shaped by their professional norms; international financial markets are populated by capitalist enterprises. External constraints thus embody the power of a mix of economists and capitalists. The IFIs' agendas are also conditioned by their funders' preferences and concerns (see, e.g., Barro and Lee 2005), making them channels for foreign influence.

2000; Blyth 2002; Saad-Filho and Johnston 2005; Levitt 2006; Howard and King 2008; Dreiling and Darves 2011). For example, there was substantial concerted action by business in support of European integration in the 1980s and 1990s (Cowles 1995; Van Apeldoorn 2002). Western European capital promoted eastward expansion of the European Union, while support for expansion in the postsocialist states has been a project of state bureaucrats (Feldmann and Sally 2002; Bohle 2006). Business gained greater autonomy and policy influence in Japan in the post–World War II period, just as that country's political economy transitioned from a broadly statist to more liberal model (Yoshimatsu 2000).

Studies of neoliberal transitions in developing countries, on the other hand, have typically argued that state initiative has been primary, and business has not played much of a role in motivating states to act (Haggard and Kaufman 1992; Geddes 1995; Babb 2001). Interest groups tended to react to, more than instigate, episodes of market-oriented policy change in developing countries in the 1980s (Bates and Krueger 1993). This more autonomous state action has often been linked to the agendas of technocrats, including in democratic contexts (see, e.g., Mukherji [2013] on the case of India). Even prior to the 1980s, two notable instances of economic opening were undertaken under technocratic guidance: Spain under Franco and Chile under Pinochet (Payne 1971; Teichman 2001; Silva 2008).[5] In contrast, Fourcade (2006, p. 158) observes that "Western countries . . . have witnessed dramatic changes in their policy regimes since the 1970s without any significant influx of economists in government."

The literature therefore suggests that developing and developed countries have followed different pathways to globalization. These differences are theoretically unsurprising. Economists' Stolper-Samuelson theorem, derived from the Heckscher-Ohlin model of international trade, predicts clear cross-national differences, since different factors of production—capital and labor—stand to gain or lose from increased trade depending on their relative abundance in a given country (Hiscox 2001; Chase 2003; Busch and Mansfield 2010). Their abundance will in turn depend on their country's relative level of development, with business expected to gain in more capital-abundant high-income nations and to lose in labor-abundant developing nations (Dunn 1993; Watson 1993). Economic theory thus predicts that business will be less supportive of international economic integration in poorer countries.

Even more broadly, at least until the onset of globalization in the 1980s, developing countries were typically more statist, with private business playing a smaller role in the economy (Gerschenkron 1962). The state owned

[5] Under Franco, Spain was in some respects less like the other Western European nations than the developing countries of the time.

more industry, and many developing countries employed interventionist economic policies in efforts to industrialize (Evans 1985). Developing country capital was typically shielded from the full brunt of competition on world markets, through restrictions on both trade and foreign investment. This protection aimed at fostering a domestic manufacturing sector that could not otherwise survive direct competition with more efficient manufacturers from the leading industrial nations. Many producers in developing countries were thus ill-prepared to face international competition. So by the late 20th century, capital in developing countries included more firms and industries that stood to lose out from integration with world markets.

Conversely, developing countries have been subjected to much more international financial pressure to liberalize their policies in proglobalization directions (see Gould 2006). Some research emphasizes that international finance disciplines all countries, whether rich or poor; but even so, there is little question in the literature that poorer countries have had their autonomy constrained more tightly (Fourcade-Gourinchas and Babb 2002). As a consequence, arguments about the power of the international financial institutions, and international finance generally, are more applicable for developing than high-income nations (see Babb 2013). The greater role for international constraints and linkages in shaping the globalization of developing countries reflects a general pattern of greater external influence in developing countries—noted classically, for example, by dependency theory (see Cardoso and Faletto 1979; Evans 1979; Stallings 1992).

The many explanations of globalization reviewed here have therefore made few clear statements about their scope conditions, but the influence of the actors they emphasize appears limited to specific kinds of countries in specific circumstances. Such specificities hold the key to a reconciliation. Developed countries have seldom if ever been technocratic, or subject to significant external financial constraints, but they have long been home to broadly and strongly proglobalization communities of economists; they have at times also experienced broadly and actively proglobalization lobbying by business. It is this private sector action, coupled with legitimation by economists, that largely explains the rise of proglobalization initiatives in the developed world since the 1980s. In developing countries, by contrast, international financial constraints and pressures intensified in the 1980s, fostering the political rise of technocrats who were sympathetic to globalization and in many cases were ultimately empowered to implement important proglobalization policy changes. Business in such countries has, comparatively, been a more reluctant partner in the globalization project.

This two-pathway model balances portrayals of globalization as the product of similar influences everywhere (as implied by arguments that do not note any limits on the scope of their applicability) and globalization as the product of pathways and influences unique to each country (as implied by studies of individual or small numbers of cases making reference only to the particularities of those cases). There is no suggestion here of universal laws: merely that pathways to globalization are patterned.

This synthesis does not resolve all the debates dividing the literature on globalization. If "business" as a whole (as opposed to particular businesses, businesspeople, and industries) mobilizes for globalization, why do some (import-competing) firms and industries fail to act in their own interest? And to what extent do (noneconomist) politicians subscribe to economists' ideas? The comparative historical narrative accounts below, however, speak to these questions inductively from the perspective of the cases of the United States, Canada, and Mexico.

RESEARCH DESIGN

In order to validate the two-pathway model outlined above, this article uses qualitative contrasts both across different countries and within the same countries across different points in time. Studying each country's trajectory through time allows for contrasts between periods when a given country either embraced or rejected regional integration—meaning that the outcome of interest is variable. Within a given country, different time periods can be treated as separate cases (Skocpol 1979; Haydu 1998; Lieberman 2001), and the study exploits two negative cases of decisions not to embrace globalization: Canada and Mexico prior to the mid-1980s and early 1990s, respectively.

A cross-nationally comparative approach is more appropriate than studying the whole world as a single unit (e.g., Sklair 1995, 2002), given that both existing theories and the model proposed here have clear, empirically testable implications for distinct nation-states. Key political decisions about globalization-relevant policies are consistently made at the national level, even if they are conditioned by global or external circumstances and relationships. The United States, Canada, and Mexico arrived at the decisions to negotiate and ratify North American free trade in ways influenced to some extent by actors, events, and circumstances in the other countries. The cases are in this sense not independent. Nonetheless, their independence was substantial: the comparative histories presented below show how the three countries' decisions were made in different political economic contexts, with the United States forced to wait for years for Canada and then Mexico to agree to negotiate; no country got all of what it wanted, when it wanted. How and to what extent each country was subject to external influences is an empirical question; one of the four explanations discussed above (financial pressures) focuses precisely on external rather than domestic actors.

In addition to structured comparisons, the article also relies heavily on observations of causal processes and narrative accounts of the key sequences of events in each country case (Mahoney 1999, 2000; Abell 2004; George and Bennett 2005). These narratives test whether there are mechanisms plausibly linking hypothesized antecedent conditions to the outcomes that are to be explained, in ways consistent with the arguments being assessed. In particular, using interviews and primary source documents, I examine key actors' subjective goals and concerns—the ideas behind their actions. Doing so can help to identify the forces driving their actions, even if the actors themselves are unaware of those forces. Similarly, I use each country's agenda in the international negotiations to illuminate cross-national differences in the political processes and actors driving proglobalization policy changes.

Setting cases in comparative perspective helps measure, qualitatively, their key features. Previous studies of policy shifts in favor of globalization, or of neoliberal policy shifts generally, have almost always been in-depth analyses of individual country cases, or comparisons of either developed or developing countries, but not both at once (Fourcade-Gourinchas and Babb [2002] being a notable rare exception). These research designs have not been capable of capturing how globalization has unfolded in distinct ways in countries differently situated in the world economy. Sporadic calls for free trade by particular industries might, for example, appear to make a country a case of business-led globalization; but setting such a case in contrast to others, where business mobilization has been much more widespread and emphatic, belies this characterization. Contrasting the three very different cases of the United States, Canada, and Mexico thus helps to calibrate the characterization, or measurement, of each.

Such calibration is essential, since accurate measurement is central to the assessment of the various theoretical perspectives discussed above. Testing a technocracy-focused explanation of globalization's rise, for example, requires measuring the prevalence of technocracy, in different cases and at different times. For that reason, in the comparative case histories provided below, I provide qualitative ordinal rankings of the three countries on the presence versus absence of each of the four explanatory conditions discussed above: business mobilization, advocacy by economists, technocracy, and international financial pressures. The empirical analysis therefore employs all three of Mahoney's (1999) strategies of causal assessment: nominal, ordinal, and narrative. The ordinal comparisons temper the otherwise "all or nothing" character of nominal comparisons, while nonetheless revealing differences of degree across cases that are so substantial as to be differences of kind.

The comparative-historical accounts provided in this article rest on 115 interviews that I conducted with informants in Mexico, Canada, and the United States (mostly trade negotiators, other public officials, politicians, political staff, and private sector representatives); a wide range of archival evidence (governmental and private sector publications, transcripts of legislative debates, news coverage, and public opinion polls); and previous academic studies and journalistic accounts of North American free trade.[6] Among the archival sources, which provide an inside view of the relevant policy-making processes, some have only recently been made available to researchers or have never been examined before.[7]

UNITED STATES

Of the three countries, the United States was the first clear supporter of North American free trade in the late 20th century. The pursuit of North American economic integration was consistent with U.S. post–World War II efforts to foster a liberal international economic regime. Ever since its departure from an explicit policy of protectionism with the Reciprocal Trade Agreements Acts in 1934, and the formation of the General Agreement on Tariffs and Trade (GATT) in the 1940s, the United States has advocated free trade and encouraged others to join the multilateral trading system (Mastanduno 2009). After World War II, through the GATT and other institutions, the United States sought to restrain or moderate other countries' economic nationalism and statism (Frieden 2006). Though integration on a specifically regional basis was a lower priority for the United States than multilateral liberalization, there were nonetheless occasional efforts to pursue it. U.S. and Canadian bureaucrats negotiated a bilateral free trade agreement in secret in the 1940s, though the Canadian prime minister quietly rejected it in the end (see Cuff and Granatstein 1977). The U.S. Trade Act of 1974 included a statement that "it is the sense of the Congress that the United States should enter into a trade agreement with Canada" (chap. 12, subchap. 6). And in the late 1970s, the idea of trilateral economic integration was espoused by early contenders for both the Democratic and Republican nominations for U.S. president. Finally, in 1979, in the same bill by

[6] A complete list of interviewees (identified by name and position) is available in the appendix.

[7] The archives consulted were the Ronald Reagan Presidential Library; Jimmy Carter Library and Museum; George Bush Presidential Library and Museum; U.S. National Archives and Records Administration in College Park, Maryland; Canadian Manufacturers and Exporters (formerly Canadian Manufacturers' Association); Mexican Confederation of Chambers of Industry (Concamin); Library and Archives Canada; the Centro de Estudios Internacionales at El Colegio de México; and the Centro de Investigaciones Sobre America del Norte at the Universidad Nacional Autónoma de México (held by Elisa Dávalos). I also examined the personal papers of Adán Rivera, Asociación Nacional de Industriales de la Transformación, Mexico City; John Foster, North-South Institute, Ottawa; and Peter Bleyer, Council of Canadians, Ottawa. Several libraries held useful unpublished documents: Canada's Department of Foreign Affairs and International Trade, the Centro de Investigación y Docencia Económicas, and the Instituto de Investigaciones Económicas at the Universidad Nacional Autónoma de México.

which it ratified the Tokyo Round of multilateral trade negotiations (1973–79), the U.S. Congress instructed the president to "study the desirability of entering into trade agreements with countries in the northern portion of the western hemisphere to promote the economic growth of the United States and such countries and the mutual expansion of market opportunities" (quoted in USITC 1981, p. 1). Even the National Governors Association expressed interest at that time, passing a resolution at their February 1980 conference calling for an international forum to explore the idea (*Globe and Mail* 1980, p. 12).

Events in 1980 led the United States to temper its pursuit of North American free trade. In May of that year, Canadian Prime Minister Pierre Trudeau and Mexican President José López Portillo, after meeting in Ottawa, released a joint statement expressing their mutual opposition to "current informal proposals for trilateral economic cooperation among Canada, Mexico and the United States" (Senate Standing Committee on Foreign Affairs 1980, p. 6). About the same time, López Portillo also announced his decision not to take Mexico into the GATT, even after having negotiated an accession protocol widely perceived to place relatively few burdens on Mexico in return for granting it enhanced access to foreign markets (Story 1982). Mexico's decision not to join the GATT was widely interpreted as a sign of its aversion to trade liberalization and international economic integration generally. For its part, in later 1980, the Canadian state announced a significant nationalist economic policy of its own: a National Energy Program (NEP) aimed at increasing Canadian control of the domestic energy industry, partly by providing domestic producers with tax advantages and by levying taxes on exports of energy. This policy, similarly, signaled that the Canadian state was little interested in increasing economic cooperation with the United States, Washington being strongly opposed to the NEP.

Given the idea's cool reception in Canada and Mexico, in subsequent years U.S. politicians and officials made few public calls for continental economic integration. They perceived that Canada and Mexico would have to change their positions for the initiative to be feasible and that it would not help politically for regional integration to look like a U.S.-driven project. Nevertheless, in November 1988, when Mexican president-elect Carlos Salinas de Gortari met with U.S. president-elect George Bush in Houston, Bush privately proposed the establishment of a free trade agreement between the United States and Mexico. The proposal reflected the fact that for the U.S. state, as the American ambassador to Mexico stated that year in an internal communiqué, "free trade between [Mexico and the U.S.] is a long term goal" (Pilliod 1988). When Mexican officials suddenly broached the topic in 1990 with their U.S. counterparts, the latter were quick to express their enthusiasm. The top U.S. official present at the meeting, Robert Zoellick, "responded positively to the notion of a FTA saying that he personally was in favor . . . and that he had already discussed the possibility in general terms with Secretary [of State] Baker" (Secretary of State 1990, p. 3). U.S. Trade Representative Carla Hills reported immediately to President Bush that "there is broad support among your economic and foreign policy advisers . . . to demonstrate U.S. support for a free trade agreement" (Hills 1990, p. 1). Similarly, when the Canadian government approached the United States about a free trade agreement in 1985, the Reagan administration immediately welcomed the idea.

After Canada and then Mexico eventually agreed in principle to pursue regional free trade (in 1985 and 1990, respectively), bureaucrats then negotiated the details.[8] Negotiators from all three countries, as is typical in international trade negotiations, pressed for maximal access to foreign markets (rapid and expansive removal of restrictions on imports) and more restricted and selective access to their own (slower removal and with exceptions). The negotiations concentrated largely on the timetable according to which each country's barriers to imports of goods and services would be eliminated. They also covered the settlement of disputes, the exclusion of some sectors from the agreement, rules of origin (discussed further below), and—stretching the definition of a "trade agreement"—the governance of investment and intellectual property rights.

The U.S. negotiators consulted extensively with representatives of the private sector. Though American trade negotiators come from the executive branch, legally the Congress has final authority over foreign economic relations and must formally ratify any international trade agreement for it to be implemented. Consequently, the legislative branch is the target of substantial lobbying by industry, and private sector representatives pressure executive branch negotiators by saying to them, as one interviewee put it: "If you want to do what we want, and if you do what we want we will support it in the Congress, then here is some language for you to use in the agreement." In one instance of such pressure, eight large business associations, drawn principally from the film, publishing, music, and software industries, wrote to U.S. negotiators in early 1991 that the Mexican "government must not fail to implement . . . its promise of much needed reform extending copyright protection to sound recordings and computer software. Such failure would inevitably threaten congressional support" for the launching of negotiations over NAFTA (International Intellectual Property Alliance 1991). Consistent with this demand, and reflecting the importance they attached to the issue, the U.S. negotiators made unilateral changes to Mexico's intellectual property laws a condition just for the ne-

[8] Cameron and Tomlin (2000) provide the most detailed analysis of the NAFTA negotiations, Mayer (1998) a comprehensive account of the process in the United States, and Thacker (2000) of Mexico. The two major studies of the CUFTA negotiations are Doern and Tomlin (1991) and Hart et al. (1994).

gotiations to begin. Mexico complied and soon also agreed that strong protections for intellectual property would be codified in NAFTA.[9] After the negotiations, the president's private sector Advisory Committee for Trade Policy and Negotiations stated that NAFTA's "provisions on intellectual property as they pertain to Mexico substantially meet most of the ambitious negotiating objectives" (Advisory Committee for Trade Policy and Negotiations 1992).

Investment was the other key economic governance issue addressed in the text of NAFTA, at U.S. insistence. NAFTA's investor rights provisions limit the range of measures that governments can take to regulate foreign investment and give foreign investors from NAFTA countries controversially expansive legal options in settling disputes with host governments (see Barenberg and Evans 2004; Shadlen 2005). At the end of the negotiation, the Investment Policy Advisory Committee, a private sector–based body with official responsibility for advising U.S. trade negotiators on investment policy issues, stated that it strongly supported NAFTA's investment-related provisions (MacMillan 1992). The sole labor members of the group, on the other hand, expressed a dissenting view, saying that they found it "impossible to support the investment provisions as well as the overall proposed NAFTA agreement" (MacMillan 1992, p. 14).

The negotiations over "market access," especially the elimination of trade barriers and the exemption of some industries from the agreement entirely, generated provisions that were not as liberal as they might have been. Many negotiators themselves have little intellectual sympathy for domestic industries' demands for protectionist content, but they also know that potential critics can sometimes be mollified by such content—particularly long transition periods during which existing trade restrictions are phased out—and permanent trade restrictions that will work to protect domestic producers from extraregional competition indefinitely. Being trade restrictive, however, these measures are deprecated by economists and others who subscribe to mainstream economic trade theory (Henderson 2001, p. 95). In the case of NAFTA, private sector groups that extracted particularly illiberal content in the terms of the agreement included agricultural producers, textiles and apparel makers, and automobile manufacturers. As conditions for supporting the agreement, textiles, apparel, and automakers all demanded strict "rules of origin"—rules defining which goods would be considered "North American" and therefore eligible for free trade under NAFTA, and which would be considered non–North American and thus subject to trade barriers (Hufbauer and Schott 1993; Mayer 1998). Strict rules of origin would discourage the importation of component parts or raw

[9] Sell (1995) describes how intellectual property protections were gradually integrated into U.S. trade policy making, largely as a consequence of industry lobbying.

materials from outside North America, thereby offering some protection to North American–based producers of these inputs and materials. One trade negotiator explained: "You face the reality of the politics. You can get an industry to agree to go into zero tariffs eventually over a ten or whatever year period. But their price is 'but we've got to have some content in the rules of origin.'"

Especially with the inclusion of this content, there was very broad support for the results of the NAFTA negotiations among U.S. industries. In an analysis of Political Action Committee donations, Beaulieu and Magee (2004) find that not just export-oriented industries but even net importing industries spent money in efforts to ensure NAFTA's passage in the U.S. Congress. The country's three major national business associations—the National Association of Manufacturers (NAM), the U.S. Chamber of Commerce, and the Business Roundtable—all endorsed NAFTA (and CUFTA before that). Documents from the official U.S. private sector trade policy advisory structure further demonstrate the breadth of private sector support. An internal executive branch memo reported that by October 1992, of six trade policy advisory committees only one was opposed to NAFTA—the Labor Advisory Committee. Of the 17 Industry Sector Advisory Committees, all but one supported NAFTA.[10] All three Industry Functional Advisory Committees supported the agreement. And out of 10 Agriculture Technical Advisory Committees, while five were internally divided, the other five were supportive (Hrinak 1992). None were opposed. Even business groups at risk thus supported NAFTA; there were some isolated discontents, but few. Dreiling (2001) attributes the breadth of business support, despite the threats to some specific firms and industries, to the intra- and interorganizational dialogue within key business associations.[11]

Such was the level of business support that private sector organizations funded and coordinated a large-scale public campaign in the lead-up to the congressional ratification vote on NAFTA in November 1993. Just a few weeks before that vote, the agreement's ratification was far from certain (Mayer 1998). Labor unions were strongly opposed to free trade with Mexico, as were a number of prominent environmental organizations, and these groups campaigned vigorously against ratification (see Kay 2005; Evans and Kay 2008). In response, a corporate coalition called USA*NAFTA, largely organized by the Business Roundtable, an association of chief executives of

[10] Footwear, Leather, and Leather Products was the lone partial exception, insofar as the group reported "no consensus."

[11] Dreiling (2001, p. 186) notes that "despite the clear benefits that multinational capital stood to gain from the NAFTA, a substantial effort was needed to convince broader fractions of capital to support the agreement." The effort of which he speaks was an intrabusiness one, in contrast to the state efforts described below in the Mexican case.

large U.S. firms, promoted NAFTA to the public and to legislators (Rupert 2000; Dreiling 2001). Individual firms even paid for advertisements in local newspapers, such as that shown in figure 2.[12] When the vote came, NAFTA received congressional approval by a comfortable though not overwhelming margin. Both legislators' and the public's stance on NAFTA shifted considerably in the last few weeks before the vote (Mayer 1998).

The business campaign was bolstered by the enthusiasm of many American economists; 300 of them, including several Nobel Prize winners, wrote the president an open letter declaring their support for the agreement. They did so even despite the less than fully liberal content discussed above and the fact that, from the perspective of neoclassical economics, both the greatest benefits and the greatest adjustment costs would be borne by the smallest member of the new free trade zone—Mexico. From a U.S. perspective, therefore, many economists viewed NAFTA as a foreign policy much more than an economic policy issue—an instrument for fostering Mexico's economic development, and thereby its political stability, but not a big potential influence on the U.S. economy (Krugman 1993*a*).

U.S. businesspeople saw NAFTA differently. For them, the agreement appealed as a means of locking in Mexico's, and to a lesser extent Canada's, recent free market policy changes. A U.S. business association official explained U.S. private sector interest in NAFTA as follows:

> People had a lot invested [in Mexico and] were making a lot of money on their exports from Mexico. . . . And they didn't want Mexico to backslide on any of the openness and liberalization efforts that they had adopted under Salinas. Mostly on investment, but also in terms of trade openness. And they wanted to get better protection [for intellectual property], and better protection on investment. . . . You have low labor rates so that you can invest there and compete globally. . . . People were looking at Europe and East Asia at the time. . . . Europe was becoming a really large, integrated market with very few barriers. And it was making their companies more competitive globally. [It was appealing] to be able to draw on the larger range of wages and that sort of thing, that you found in Europe at that point.

NAFTA would therefore help U.S. industries consolidate, and compete better with other regions, in part by giving U.S. firms access to geographically proximate cheap labor. Some American business leaders perceived integration with Mexico as a North American equivalent to the reorganization of Europe after the recent fall of Communism—a way for U.S. companies to compete with Asia and Europe. As one American business association leader put it: "The political impetus, the business impetus that gave birth to NAFTA

[12] The ad refers to six presidents because all living U.S. presidents at the time had agreed to endorse NAFTA.

FIG. 2.—Advertisement appearing in the *Boca Raton News*, November 8, 1993

was: How does American business deal with the competitive threat from Japan?"

Most American politicians who supported NAFTA promoted the agreement using arguments more consistent with those of the private sector than those of economists, framing NAFTA largely as a job creator. In contrast, as one career trade bureaucrat put it, when asked whether he agreed with the argument that NAFTA would have a significant effect on the number of jobs in the United States, "none of the staff here ever did. . . . Politicians decided they would sell it on a jobs basis. Staff tried to keep them as honest as possible." And even though economists were skeptical that NAFTA would create significant numbers of jobs in the United States, there is little reason to think that politicians disbelieved such claims. The U.S. Trade Representative stated before the House Ways and Means Committee on September 14, 1993, in a presentation entitled "The Administration's Case for NAFTA," that the "vast new market" created by the agreement will make "us more competitive against Europe and Japan and will result in the creation of new jobs. . . . Since we are producing more with fewer workers, opening up new markets is the key to new job creation and economic growth." Evidently, the U.S. Trade Representative expected that congressional lawmakers would find arguments about net job creation compelling. One interviewee agreed that, for members of the U.S. Congress: "What resonated the most with them was if you could convince them that their constituents could benefit directly, in terms of jobs—if you could show that there could be job creation in their districts."

The process of the Clinton administration's conversion to a pro-NAFTA stance in 1992 also shows how neoclassical economics tends not to inform politicians' thinking—even politicians supporting globalization—except for politicians who are themselves economists. During his candidacy for president in 1992, Clinton and his team faced a difficult choice on the issue of NAFTA, the Democratic Party's labor- and environment-allied grassroots activists being opposed and more elite (business-allied) members of the party being in favor. Clinton's own views were mixed, and his campaign manager Mickey Kantor—a labor lawyer who became U.S. Trade Representative in 1993—was initially more opposed to than supportive of NAFTA. Intellectually, therefore, their support for NAFTA was not a given, and they needed convincing. In that regard, according to interviewees and existing accounts (e.g., MacArthur 2000), the advisors who won over both Clinton and Kantor were not economists, but a team of advisors without training in economics. Such advisors were the targets of harsh criticism by Krugman (e.g., 1996) precisely for their ignorance of mainstream trade economics. Theirs was instead a more practical, business-based view of international economics, which Krugman (1993*b*, pp. 23–

24) deprecates "as deeply uninformative about the inherently general-equilibrium issues of international economics."

Clinton and his administration diverged from business, however, in supporting NAFTA in tandem with side agreements on labor and the environment. The side agreements appealed as tools for mollifying critics politically, but also because of the benefits that Clinton and his noneconomist advisors believed would accrue in terms of U.S. jobs—contradicting the view of mainstream economists that NAFTA would have no notable consequences for employment in the United States. For Clinton, NAFTA could be beneficial both for business and labor, if "our jobs, our businesses, our farmers and our environment" could be protected from "unfair practices," as he said in a campaign speech in North Carolina in October 1992. In that speech, and more generally, he articulated a vision of international economics in which the United States could "compete and win in the global economy" (a meaningless statement from a neoclassical point of view).

To sum up, while the United States had to wait for Canada and Mexico to agree to negotiate North American free trade, the United States was a willing globalizer for decades. While there is therefore no recent policy change to explain, U.S. support for regional economic integration is consistent with one of the two pathways to globalization presented earlier. Business strongly supported the agreement and promoted NAFTA to a somewhat skeptical public in an effort to secure the agreement's congressional ratification. Industries received much of what they asked for in the agreement, including business-friendly intellectual property and investor rights and antiliberal provisions diverging from what economists would have preferred. The willingness of U.S. negotiators and politicians to defer to these business preferences solidified support across the private sector. While the historical role of capital in establishing the enduring U.S. support for North American free trade is unclear, at least since World War II there is no evidence of a time when American business was opposed.

U.S. economists strongly supported North American free trade, given their endorsement of liberal trade and investment policies generally, even if they found neoclassical theory marginalized in political and business circles. Conversely, U.S. support for North American free trade had nothing to do with external financial pressures. As regards technocracy, the federal executive branch was home to many economists, but few politicians with direct authority over policy were themselves economists. Among the politicians involved in proposing, negotiating, promoting, and ratifying NAFTA, mainstream (neoclassical) economic ideas were displaced by U.S. business concerns and priorities. Insofar as U.S. politicians' biographies led them to support North American free trade, it was backgrounds in business rather than academic economics that shaped their views.

CANADA

Canada's economic opening in and after the 1980s amounted to integration specifically with the U.S. market, first via the bilateral Canada-U.S. Free Trade Agreement of 1989, and later on via NAFTA. Throughout its history, Canada has always been dependent on foreign trade. Beginning in the 19th century, however, Canada also introduced protectionist economic policies with the goals of ensuring national economic autonomy and fostering the growth of its manufacturing sector (Hart 2003). While Canada has never had a closed economy, then, CUFTA was a major turning point in Canadian history, insofar as it dismantled policies long regarded as essential both for Canada's industrialization and its autonomy as a nation, particularly given concerns about the smallness of its economy and population relative to its much larger southern neighbor. Figure 3 demonstrates the heavy and perpetually asymmetrical concentration of Canada's (and Mexico's) external trade on the United States.

After the founding of the GATT in the 1940s, Canada was a strong supporter in principle of gradual multilateral trade liberalization. But at the same time Canada often resisted economic opening in practice. In the 1960s Kennedy Round of GATT negotiations, for instance, Canada de-

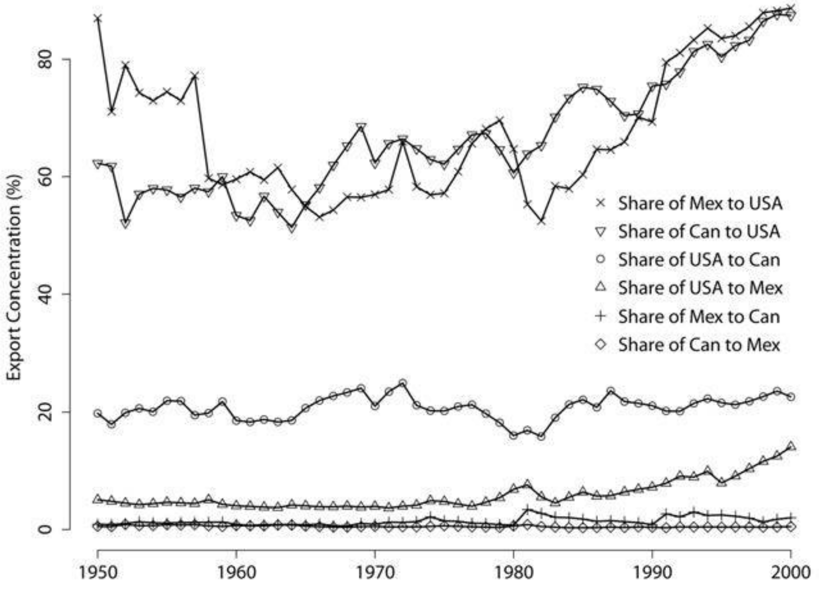

FIG. 3.—Shares of exports destined for North American markets, 1950–2000. Taken from IMF (2006, 2013).

manded and won an exemption from the tariff-cutting formula applied to other developed countries. High import tariffs encouraged foreign—mostly American—manufacturers to establish branch plants in Canada to serve the domestic market. The Canadian economy became host to a great deal of U.S. investment, with much of Canada's post–World War II manufacturing being conducted by Canadian branches of large American firms (see Laux and Molot 1988). Worries about the power of these firms led to the passage of a law in 1973 aimed at regulating foreign investment. While not intended to bar foreign investment entirely, the Foreign Investment Review Act began subjecting foreign investments to review by a domestic regulatory agency.

Free trade with the United States was proposed many times in Canada before the 1980s (see Granatstein 1985), with leading academic economists advocating opening and liberalization in many forms. The Economic Council of Canada (1975) recommended the negotiation of a free trade agreement with the United States, as did a widely cited study by Wonnacott and Wonnacott (1967). Academic economists in Canada contributed influential studies to the neoclassical literature on trade economics (Johnson 1968; Wonnacott 1993). As one economist working for a business association explained, however, "the economics community in Canada was and is very small."

Unlike economists, much of the business community was hostile to trade liberalization. In 1950, the Canadian Manufacturers' Association (CMA) recommended that Canada should make "no further reductions in tariffs . . . on goods now manufactured in Canada" and that "consideration should be given to restoring certain tariff concessions made" previously (Holding 1950). The president of the CMA stated publicly that free trade with the United States "would completely destroy great segments of the Canadian manufacturing industry, and that we would lose a great deal of our identity and autonomy as a country" (Sheils 1953, p. 115). Canadian business, led by the manufacturing sector specifically, remained hostile toward international trade integration, and about free trade with the United States in particular, through the 1960s, 1970s, and early 1980s. In 1977, the CMA complained that Canada's international trade "negotiators and the back-up team of public servants, while highly competent, are relying too heavily on theoretical free-trade principles" (CMA 1977, p. 2). The Canadian Textiles Institute (1983, p. 3), similarly, decried "the elegant mathematics of officials more familiar with economic theory than international reality." In 1981, a survey of 167 business executives in the United States, Canada, and Mexico found much more support for North American free trade among U.S. compared to Canadian and Mexican respondents (Cook 1981, p. B1). Contrary to accounts that present the 1970s as the time when neoliberalism emerged in contradistinction to the post–World War II period of embedded liberalism (e.g., Howard and King 2008), there was no discernible change in the international economic policy priorities of Canadian business even through the early 1980s.

Then, between the early and mid-1980s, the stance of Canadian business changed rapidly. In the early 1980s, the Canadian government had considered the possibility of negotiating some sector-specific free trade agreements with the United States. But by February 1984 the Business Council on National Issues (BCNI) had "concluded that an overall free trade deal is probably more likely than a sectoral arrangement" (Clarke 1984). The BCNI was an association of the CEOs of 150 large corporations, established in the 1970s and partly modeled on the U.S. Business Roundtable. What is telling about the BCNI's statement is that it preceded the major change of public policy that took place subsequently; it shows that the organization's members were clearly committed to free trade several months before the Canadian state showed signs of seriously considering the idea. The confidence of the BCNI's prediction evidences their faith in their own political clout.

The global recession of the early 1980s frightened Canadian businesspeople, who emerged from it with a very different outlook. By the mid-1980s, a striking transformation had taken place, the Canadian Manufacturers' Association having started "actively supporting government attempts at trade liberalization. CMA views have been presented to the government on a number of occasions and the organization is encouraging its members to make their support public in speeches and public statements" (Montgomery 1986, p. 23). In his 1985–86 annual report to members, the CMA president stated that "the CMA's views and concerns about Canada-U.S. trade were adopted largely intact by [the] government. And today, the trade negotiating process with the U.S. (as well as with the GATT) is unfolding along the lines advocated by the CMA. . . . Ottawa's decision during the past year to initiate negotiations for a bilateral trade agreement with the United States represents a major victory for the CMA's lobbying efforts" (Thibault 1986, p. 1). Smaller business, too, had changed its views, with the Canadian Federation of Independent Business saying in 1984 that "positions on industrial policy are in a state of constant evolution; much of what we believed in 1978 is *not* what we believe [today]. Our position would be much more free trade, free market oriented now" (Lightman 1983, p. 1; emphasis in original). As in the United States, then, business support for free trade was eventually widespread in Canada.

This shift in the views of business coincided with the election of a new federal government in Canada in 1984. The new Progressive Conservative ("Tory") government, which had promised to improve relations with the United States, reversed Canada's nationalist energy and foreign investment policies, both of which had been sources of conflict with the Reagan administration. But the new government initially made no mention of free trade with the United States. In fact, the new prime minister, Brian Mulroney, had publicly stated his opposition to free trade at the June 1983 convention that made him Tory party leader, and even in early 1985 expressed reticence (Hunter 1985; *Toronto Star* 1988; Ayres 1998, p. 25). So there is little reason to think that Canada's September 1985 request to the Reagan administration for negotiations on a bilateral free trade agreement was a function of any long-standing sympathies for free trade on the part of Mulroney or his government.

He, his cabinet, and Canadian politicians generally, were by no means technocrats. Among the prime minister, the ministers of trade, industry, finance, external affairs, the ambassador to the United States, and the deputy ministers of trade and industry, four had their highest degrees in law, two in business, one in political science, and just one had her highest degree in economics (Lumley 2005). If anything, the upper echelons of the economic policy-making apparatus in Canada were dominated by lawyers, a pattern also typical of the United States (Dye, Schubert, and Zeigler 2011, pp. 184–85). Watson (1987, p. 345) describes the Mulroney government's ideology as "more business-oriented than market-oriented."

Trade policy making, and international economic policy more broadly, is less directly shaped by the legislative branch in Canada compared to the United States, given the party discipline of the parliamentary system. But the federal bureaucracy is no more dominated by economists than in the United States, where the staff turnover associated with presidential elections allows for prestigious academic economists to circulate in and out of the executive branch. If anything, economists dominate the bureaucracy less in Canada. One former bureaucrat in the Department of External Affairs complained that most of the "people who work there are not economically trained." But since the bureaucracy as a whole exercises more power over international economic policy in Canada than in the United States, the overall influence of neoclassical economists is likely roughly the same.[13]

In the 1980s, economists in Canada's universities and think tanks continued to support free trade and to release high profile studies pointing to substantial benefits. A May 1984 Ontario Economic Council study argued that trade integration with the United States would produce major productivity gains in Canada, and an increase in gross domestic product (GDP)/capita on the order of several percentage points (Harris and Cox 1984). Block and Walker (1988) report that, among respondents to a survey sent to mem-

[13] The Department of Finance has formal responsibility for tariffs, given their revenue-raising function, while the Department of Foreign Affairs and International Trade (formally the Department of External Affairs) in practice coordinates international trade negotiations.

bers of the Canadian Economics Association in 1986, 70.2% generally agreed with the statement that "tariffs and import quotas reduce general economic welfare," and 25.7% more agreed with provisos. This level of support was similar to that identified among U.S. economists some years earlier by Frey et al. (1984).

The change in business views became public in the course of hearings for a high-profile "Royal Commission on the Economic Union and Development Prospects for Canada" (known more informally as the "Macdonald Commission," because of the chair). The commission released its final report in September 1985, with one of its main recommendations being a free trade agreement with the United States; it was only three weeks after the release of that report that the Tory government formally announced that it was proceeding with negotiations. The Macdonald Commission provided a prime opportunity for advocates of free trade to make their case. A mix of bureaucrats and academics (both economists and others) authored the sections on trade policy, and both they and a wide range of business presentations strongly influenced the commissioners' conclusions (Simeon 1987). The case for North American free trade included some neoclassical arguments but also many distinctly non-neoclassical ones. To illustrate, in a commentary entitled "The New Face of Canadian Mercantilism," one academic economist commented afterward that while he applauded the commission's endorsement of free trade with the Unitee States, he objected to its rationale; in his words, "I do not want my students to learn the economics of free trade from the Commission's Report" (Shearer 1986, p. 58). Bradford (1998, p. 116) summarizes thus: "the royal commission process fused the ideas of the neoclassical economists and the interests of the business community" (Bradford 1998, p. 116).[14] The Macdonald Commission benefited from the intellectual authority of the academic economists involved, even though its arguments were largely inconsistent with their ideas.[15]

Canadian business having become free trade enthusiasts, once the state decided to pursue a bilateral free trade agreement with the United States, the private sector participated heavily in the negotiations over the terms of the agreement. Unlike for U.S. business, the Canadian private sector was not particularly motivated by the issues of either investor or intellectual property rights. The priority of the Canadian private sector was secure ac-

[14] One interviewee conveyed the intellectual authority of the Macdonald Commission, in paraphrasing Mulroney's response to it: "Here's the best brains in the country, having beavered away for three years about the future of the country, and this is what they say we ought to do. And you know what, I'm going to accept that. I'm politically going to initiate that process."

[15] Doern and Tomlin (1991, p. 223) argue that "the authority of institutions like the Macdonald Commission, the Economic Council of Canada, and [other economists] provided factual armour for the pro-free trade coalition."

cess to the U.S. market, including assurance that the application of U.S. "trade remedies" (antidumping and countervailing) laws would not threaten Canadian exports. As in the United States, representatives of some specific industries—particularly agriculture—also pushed for restraints on imports into the home market, which the negotiators tried to achieve.[16] The diversity of industry preferences required some reconciliation. Among manufacturers specifically, one business association interviewee explained that, in general terms, larger and more multinational firms were more supportive than smaller ones.[17] Consequently, building unanimity within the sector "required a lot of leadership from senior executives . . . who tended to be with larger companies." Over time, however, "when we had our meetings, those who had been adamantly opposed came around."

The leadership of large firms' executives points to the likely reason why manufacturers—and by extension Canadian business as whole—grew so much more supportive of free trade in such a short period of time. Canada was a substantially larger recipient than source of foreign direct investment (FDI) in the immediate post–World War II period. But relative to outward FDI, inward FDI declined rapidly from the 1970s through the 1980s (see fig. 4). Carroll (2004, p. 72) reports that domestic control of Canada's largest corporations increased substantially between the mid-1970s and mid-1990s (see also Chow 1993).[18] Doern and Tomlin (1991, p. 206) describe the advocates of free trade as having "a new entrepreneurial confidence in the ability of Canadians to compete with the best in the world." The nationalist, antiliberal ideas of business were gradually displaced by more globalizing ones. At the same time, between 1980 and 1985, Canada's trade was growing more concentrated with the United States (see fig. 3), perhaps increasing Canadian businesspeople's concerns about the security of their access to that export market.

In the CUFTA negotiations, the Canadian negotiators made stringent demands for restraints on the application of U.S. trade remedies laws. Such was the contentiousness of this issue that the entire negotiation almost collapsed entirely because of it, and a mechanism for bilateral review of

[16] One former politician explained: "You've got the trade policy coming from the bureaucracy, but there was a very large element of practicality. You may say we should have certain things from a trade policy principle, but if they are going to have a very serious impact on an industry . . . we wanted to have the practical feedback from companies who were there. That process was quite active throughout."

[17] There was also some divide between the manufacturing sector (located predominantly in central Canada) and natural resources industries (concentrated in the Western and Atlantic provinces), which reflected long-standing trade policy divisions between these groups (see Rea and McLeod 1976).

[18] Carroll and Chen data both belie any suggestion that free trade followed from an American takeover of Canadian business. If anything, it followed from the Canadian takeover of Canadian business.

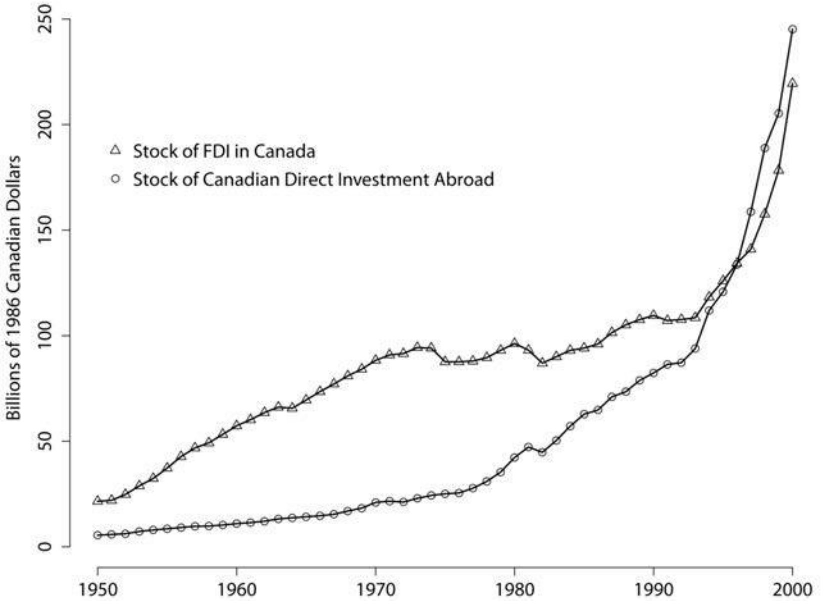

FIG. 4.—Canadian foreign direct investment, 1950–2000. Taken from Statistics Canada (2013*a*, 2013*b*).

the application of trade remedies laws proved to be the very last provision of the agreement to be decided (Hart, with Dymond and Robertson 1994). This aggressiveness followed from the Canadian state's basic motivation to pursue an agreement with the United States in the first place, which was spelled out in a series of public and intragovernmental consultation documents in the mid-1980s. From the beginning, the state's goal was "to secure and enhance Canadian access to export markets," as reflected in the title of one such document released by the trade minister (Kelleher 1985). The purpose of that document was to examine "in close consultation with the provinces and the private sector, all avenues to secure and enhance market access. This will include a careful analysis of options for bilateral trade liberalization with the United States in the light of various private sector proposals" (Kelleher 1985, p. i). This document also reinforces the influence of prior "private sector proposals," as discussed earlier. For Canadian businesspeople, secure export access to the U.S. market was the major appeal of an agreement.

As in the United States, politicians who supported free trade in Canada tended to do so subscribing to the ideas of business more than those of economists. For economists, an important benefit of free trade is its disciplining domestic industry with a cold shower of foreign competition; businesspeople not surprisingly value more the opportunities for foreign market access. Speaking of neoclassical economists, one interviewee quipped that "you wouldn't let those guys do a trade negotiation." Instead, negotiators subscribed to views such as those of one interviewee, who said: "There's two sides to every tariff negotiation. You want to get your export interests *in*, and you want to keep the sensitive products *out*." One former politician emphatically defended the decision to negotiate free trade in strongly mercantilist rather than neoclassical terms: "It would take a lot of very hard data to convince me that there wasn't a positive impact [on] employment. . . . Our trade surplus with the United States rose significantly. The amount of two-way trade rose significantly. Exports today are 45% of GDP whereas it was 27% when the deal was done. The indirect impact of that on the competitiveness of the Canadian economy—. . . . You may have an argument as to whether NAFTA or [CUFTA] led to X thousand jobs or Y thousand jobs. But without [CUFTA] we wouldn't be nearly the country we are today." A business association representative agreed: "Would we have created the same amount of employment without the free trade agreements that we have? No way. No way."

After the negotiations were concluded, Canadian business played a crucial role in winning public support—against opposition by organized labor and a variety of civil society groups, as well as two of Canada's three major political parties: the Liberal and New Democratic Parties. The civil society mobilization against the agreement, organized as a "Pro-Canada Network," spanned an array of civil society organizations: labor unions, nationalist groups, women's organizations, antipoverty groups, farmers' associations, the main confederation of aboriginal peoples in Canada, and church-based development organizations (see Ayres 1998; Barlow 1998). A federal election in 1988 was largely fought on the issue (see Ayres 1998), as these opponents used "a public-relations blitz to turn the [1988] election into a kind of referendum on free trade" (Barlow 1998, p. 109). In response, the BCNI, CMA, Canadian Chamber of Commerce, Canadian Exporters' Association, and Canadian Federation of Independent Business created a "Canadian Alliance for Trade and Job Opportunities" (CATJO) in March 1987 (Doern and Tomlin 1991; Ayres 1998). Partly through CATJO, large firms spent millions of dollars on a campaign in support of free trade, and of the Tories (Ayres 1998, pp. 104–5).

This process in Canada in 1988 therefore bore a strong resemblance to what would happen in the United States in 1993, with a range of labor and civil society groups opposing regional free trade, and a pan-business network (CATJO/USA*NAFTA) campaigning in support, largely with arguments about the consequences of free trade for employment. As in the 1993 debate in the United States, the final result in Canada favored the agreement's advocates. The two opposition parties together received a majority (52%) of the popular vote, but in 57% of electoral districts the incumbent Tory candidate won a plurality, and this vote-splitting resulted in the reelection of the Mulroney government, which was then able to ratify and implement the agreement. Even had Canadian voters defeated the Tories in 1998—as they might have, had the opposition vote not been split—there is good reason to believe that CUFTA or something similar to it would have been implemented anyway in the near future. The next Canadian federal election, in 1993, returned the Liberal Party to power, and by that time it too had become a supporter of free trade: it chose to implement NAFTA in 1994.

In sum, prior to the 1980s, the Canadian state's pursuit of trade liberalization was supported by Canadian economists, but not by business, and the latter's preferences dominated.[19] Once the private sector changed its views in the early 1980s, however, the state's position followed, with politicians adopting businesspeople's ideas about the very desirability of free trade, what to seek in the negotiations, and what would be gained from the agreement. Businesspeople became so committed that the strength of their public advocacy averted the defeat of free trade by domestic political opposition in 1988—just as would happen in the United States with NAFTA in 1993. Without business campaigning, the agreements would have failed. The political economic context in Canada became similar to that in the United States, with minimal technocracy and international financial pressure, but substantial business and economist support. The Canadian state had long housed bureaucrats sympathetic to free trade, but politicians only became supportive once business began to favor it, a rapid evolution in outlook likely due to secular shifts in the broader circumstances of the Canadian private sector.

MEXICO

Of the three countries, Mexico's shift to globalization was the most dramatic, and it was accompanied by far-reaching policy changes in other areas. In the post–World War II period, Mexico embraced an import-substitution industrialization strategy, which valued exports when possible but generally discounted their importance relative to the goal of fostering new firms and industries inside a protected domestic economy. As a consequence of this strategy, Mexico's trade as a share of GDP remained low (see fig. 1). Like Canada, Mexico had long-standing concerns about U.S. economic dominance, including the power of U.S. firms operating abroad. These concerns led Mexico to pass a law aimed at regulating foreign investment by subjecting it to review by domestic agencies—in 1973, the same year that Canada

[19] As two commentators at the time put it, "the position advocated by most Canadian academic economists over the years [with respect to free trade with the United States] is quite at odds with the popular and 'business' views on the subject" (Rea and MacLeod 1976, p. 82).

passed a similar law. Mexico's policy makers sometimes took steps to attract foreign direct investment, which they perceived as a necessary ingredient in their country's industrialization. But they also exercised heavy control over it, blocking many potential investments for the sake of maintaining domestic control of the Mexican economy (Gereffi and Evans 1981). In 1980, the Mexican state, after having signaled its interest in acceding to GATT and negotiating an accession protocol, suddenly declined to join (Story 1982). At that time, Mexico was convinced that its economy needed less, not more, integration with the United States.

Yet between the mid-1980s and mid-1990s, Mexico transitioned from a strongly statist and inward-looking economic policy regime to neoliberalism and globalization. Events in and after 1982 transformed the country's economic circumstances. At the start of the 1980s, Mexico's economy was heavily focused on the production and export of oil, and the state had taken out sizable loans from foreign lenders, borrowing heavily on the assumption that repayments would be made using the country's growing oil revenues. In 1982, however, the world economy entered into recession, interest rates rose substantially, and the Mexican state was soon unable to repay its now considerable debts. The pressure on the Mexican state was compounded in the mid- to late 1980s by a falling world price for oil, which further squeezed public sector revenues. Mexico therefore became heavily dependant on discretionary foreign assistance, leading to increasing engagement with the big international financial institutions—the IMF, World Bank, and Inter-American Development Bank. The IFIs provided financial support to Mexico during its balance of payments crisis and also encouraged longer-term structural adjustment. Over the course of the 1980s, Mexico eliminated import permits, cut tariffs and quotas, and joined the GATT in 1986 (see Cronin 2003).[20] In 1989, the Mexican state also liberalized foreign investment, rewriting the regulations associated with the country's 1973 foreign investment law in the most liberal fashion possible, allowing in more foreign participation in more sectors of the economy. Meanwhile, the Mexican state privatized hundreds of state-owned enterprises.[21]

Unlike Canada's economics community, who favored free trade with the United States long before the Canadian government accepted their advice, most Mexican economists in the 1950s to early 1980s supported their gov-

[20] See Page (1992) for an overview of Mexican trade policy from the 1950s through the 1980s. Blanco Mendoza (1994) provides a similar history, from the point of view of an influential Mexican official. Lustig (1998) has probably the most widely cited account of Mexico's economic history in this period.

[21] Mexico had 1,155 state-owned enterprises in 1982 and only 433 by 1988 (Aspe 1990, p. 125). Major industries such as telecommunications, airlines, and banking were privatized in the 1990s.

ernment's statist-nationalist economic policies (Babb 2001). In that period, Mexican economists were quite different in orientation from their counterparts in the United States and Canada, with Mexico's National College of Economists, for example, being a strong advocate of the public ownership of industry (American Embassy Mexico 1973) and opposed to GATT membership (Story 1982, p. 781). In the later 1970s and through the 1980s, however, there was a substantial change in the identities and policy preferences of economists in Mexico, as the field's leaders were no longer graduates of public universities in Mexico but rather holders of doctorates from prestigious U.S. institutions. This change in the identities of Mexico's leading economists was coupled by a change in their predominant policy recommendations—from nationalism/statism to a more neoclassical and free trade-based approach (Babb 2001).

As the character of academic economics changed in Mexico, so did the character of the personnel controlling the Mexican state. This transformation, and its consequences, has been studied extensively (Pastor and Wise 1994; Heredia 1996; Centeno 1997; Thacker 2000; Babb 2001; Dezalay and Garth 2002; Fourcade-Gourinchas and Babb 2002; Cronin 2003; Golob 2003). Over the course of the later 1970s and through the 1980s, economists with advanced degrees from top U.S. universities rose through the ranks of the Mexican bureaucracy—the central bank or the ministry of finance or trade and industry—and gradually displaced older generations of career bureaucrats and politicians with more nationalist and statist policy preferences.[22] By the later 1980s, this younger generation gained complete control of economic policy making. From 1988 to 1994, during the administration of President Carlos Salinas de Gortari, who was himself the holder of a Ph.D. in political economy and government from Harvard University, Mexico was a technocracy. All of Salinas's economic cabinet ministers, and many high-level staff in the state bureaucracy at that time, held Ph.D.s from prestigious U.S. economics departments, such as MIT, Yale, and Chicago.[23]

Washington viewed the ascendancy of Salinas and his technocratic cabinet very favorably (especially compared to the likely alternatives) and offered support where possible—consistent with arguments that the technocrats' external alliances contributed to their domestic political success. The executive secretary of the State Department wrote of Salinas in 1988:

[22] A *New York Times* article in 1979 reported that "economists in the Mexican Government have been suspicious of suggestions for a North American common market, holding that this would give the United States greater access to Mexican energy supplies and that Mexican industry would not be able to survive the dismantling of tariff barriers" (Richman 1979, p. B16).

[23] Camp's (1989) encyclopaedic work on Mexican elites notes that the country's politicians and businesspeople had long come from distinct social circles.

"We expect him to continue his predecessor's profound economic reforms, to pursue changes aimed at bringing new pluralism to Mexico's political system, and to follow a more pragmatic foreign policy. In all of this he faces unprecedently strong opposition both within his own party and from the leftist/populist Cardenas coalition, which is committed to moving Mexico in directions deeply inimical to U.S. interests" (Levitsky 1988).

As such, the U.S. government approved a $3.5 billion bridge loan to Mexico, just as Salinas took over the presidency, in order to solidify his position domestically. At the same time, in return for the loan, Mexican authorities "agreed to take immediate policy steps" in a number of areas: fiscal policy cutbacks, tightening of monetary policy, acceleration of the privatization program, and engagement with the IMF (Truman 1988). Salinas's domestic rise to power was thus tied to Mexico's structural adjustment.

Mexico's technocrats were strong believers in free trade and the deregulation of foreign investment. They liberalized Mexico's trade policies between 1985 and 1987, dropping tariffs, eliminating import licenses and quotas, and negotiating Mexico's accession to GATT in 1986 (Page 1992). High-level advisors exhorted Salinas to pursue free trade with the United States. Nevertheless, and despite knowing that the Bush administration would be interested, Salinas did not initially decide to pursue a free trade agreement: he had serious concerns about a possible domestic political backlash. This political caution was a long-established trait. In 1986, despite his clear sympathy for neoliberal policies in many areas, a confidential cable from the U.S. embassy in Mexico back to Washington reported that Salinas—then a leading contender for the presidency—wanted "to avoid at all costs being associated with economic austerity" and was urging that the current Mexican president "not do anything which could cause a marked contraction in the economy even if it means taking a very tough stance with Mexico's external creditors" (Sweeney 1986).[24]

Early in 1990, Salinas had a sudden change of heart about free trade. After renegotiating Mexico's foreign debt, significantly deregulating foreign investment in 1989, and given the many market-oriented policy changes Mexico had already made, Salinas had hoped that Mexico would receive a burst of capital inflows. Such inflows, however, failed to materialize. Salinas became convinced that international investors had lost interest in Latin America, in large part because of the recent fall of the Berlin Wall and the collapse of Communism in Eastern Europe; Mexico needed to do something dramatic, he believed, to increase its visibility. Mexico's pursuit of a free trade agreement with the United States was therefore driven as much by the goal of attracting foreign investment as that of liberalizing and increasing

[24] The same cable concluded that "the Mexicans may have to have their backs against the wall much more than they do now before they would be willing to take the kinds of tough steps required to insure a healthy economy over the longer term."

trade with the United States (Ros 1992; Mayer 1998; Cameron and Tomlin 2000; Thacker 2000; Espinosa Velasco and Serra Puche 2004). Many technocrats also viewed NAFTA as an exceptional opportunity to effect transformative changes to Mexico's economy; one interview said the plan was to "really go into the core, and redo the foundations, and retrofit this economy, really, and not just paint the outside." As another bureaucrat underscored, "the negotiating team—all of us, from Salinas down to people like me—were free traders. All of us."

Unlike in Canada, prior to the state's decision to pursue regional free trade, the Mexican private sector as a whole never mobilized in support of it. When news of preliminary bilateral talks first leaked to the news media in the spring of 1990, most business leaders were surprised and had not given much thought to the idea. Even those few who had discussed and advocated free trade with the United States had not expected that it would become a reality for at least another five or 10 years.[25] One Mexican negotiator, asked about the decision to negotiate, stated simply that "Mexican businessmen were not at all a part of that equation."

The 1980s had witnessed the emergence of a number of large, internationally competitive and export-oriented conglomerates (Margáin 1995; Flores Quiroga 1998; Thacker 2000), favoring the growth of more internationalist priorities among Mexican business. In early 1989, the outgoing president of the Mexican Business Council for International Affairs—representing large, internationally oriented business—publicly called for Mexico to negotiate a free trade agreement with the United States (Thacker 2000, p. 159). But the Mexican business community as a whole never became actively supportive of free trade, even despite the growing concentration of Mexico's trade with the United States (see fig. 3). Because of technological, productivity, and economies of scale disadvantages, many firms in Mexico saw themselves as vulnerable to competition from U.S. firms, both via trade and American investment in Mexican markets. Investment would allow U.S. capital to establish competitor firms in the home market—with access to cheaper credit, more international linkages, and better technology. When the state made its decision to propose NAFTA, many small businesspeople were therefore skeptical of the initiative, as many of them stood to lose out (e.g., Flores Quiroga 1998; Shadlen 2000; Thacker 2000).[26] Mexican officials worried about maintaining political

[25] Starting in 1984, according to one interviewee, a few Mexican business leaders met with some American counterparts to discuss continental economic integration. Hogenboom (1998, pp. 112–13) presents some evidence of such talks in the early 1980s as well. In general, however, there is only evidence of a very small number of businesspeople—primarily executives of large, internationally connected firms—previously discussing and advocating the idea.

[26] Dussel Peters (2000) presents evidence that many smaller firms did in fact lose out.

support and worked hard for the acquiescence of potential opponents, by making an intellectual case for NAFTA, holding out an offer of concessions in the terms of the agreement and constraining the vehicles available for the expression of dissent (Fairbrother 2007). One negotiator explained that "what the government did, very wisely, was to get on board some businesspeople in order to get the private sector involved." In the end, the Mexican state's efforts to win private sector support paid off, with one bureaucrat saying that "we manipulated things so as to make NAFTA popular. It was not naturally popular. There was great salesmanship." All the country's major cross-sectoral business associations ultimately endorsed free trade with the United States and Canada, even one—Canacintra—that represented many small manufacturers who expected to lose out.[27] As one negotiator put it, Canacintra "was always very on the other side." Others summarized that, in general, the organization's leadership eventually offered official support for the agreement, even if the membership was lukewarm at best. In the end, the widespread business support in Mexico mirrored that in the other two countries, but it required much more campaigning and influence by the state. In that sense, Mexican business was substantially less proglobalization than U.S. and Canadian business.

In the negotiation, Mexican businesspeople participated even more actively than their private sector counterparts in the other two countries. Partly as way of muting potential criticism, the Mexican negotiators consulted frequently and extensively with private sector representatives (see also Alba and Vega 2002). According to one negotiator, "every time we finished negotiating, no matter what the hour was, we would have a briefing with them, to tell them what happened." Nevertheless, this greater collaboration produced few substantively different outcomes than in the other two countries. Mexico would have slightly longer to eliminate its tariffs on many kinds of imports, but still no more than 15 years. With respect to investment and intellectual property, and to some issues of market access, the Mexican state feigned resistance to U.S. proposals but actually knew from the beginning that NAFTA would reflect U.S. demands in these areas in the end. As one Mexican negotiator explained: "We would discuss among ourselves: We have to go through this process of pretending not to yield to all these things. . . . We should! But okay, let's see what we can get in exchange." Some negotiators used the excuse of U.S. (and to a lesser extent Canadian) pressure to justify to domestic actors the imposition of policy changes that they favored anyway. For example, elements of the private sector expressed concerns about the competitive threat of foreign in-

[27] Canacintra is the National Chamber of the Manufacturing Industry (Cámara Nacional de la Industria de Transformación). Its monthly periodical, *Transformación*, finally reported the organization's endorsement in 1993.

vestment; but the Mexican state largely dismissed them, the attraction of foreign investment being one of its key motives for pursuing an agreement. As one interviewee explained: “We would have opened everything, unilaterally!”

Politically, while regional free trade was vulnerable to defeat by the Canadian electorate and members of the American legislative branch, in Mexico the initiative was supported by the leaders of the dominant party in an authoritarian political system; once they had decided to negotiate, there was never much chance of the initiative failing because of political opposition in Mexico. At the time, the ruling party had a large majority in the federal chamber of deputies, and 61 of 64 senators. Salinas and his team were effectively politically insulated. Nevertheless, Mexico did see some countermobilization to NAFTA. In 1990, independent labor organizations, environmentalists, academics, and members of the major leftist opposition party began meeting with Canadian veterans of the unsuccessful campaign against the 1989 CUFTA (Massicotte 2001). Not long after, they launched the Mexican Action Network on Free Trade (Red Mexicana de Acción Frente al Libre Comercio), whose membership included more than 100 organizations by 1993. Compared to the United States and Canada, the opposition to NAFTA in Mexico was less critical of regional economic integration per se and would have been open to a more European-style, social democratic model, with development funds, labor mobility, and protections for human rights (see Castañeda and Heredia 1993). But these measures were unacceptable to the United States, especially mobility for labor other than a few specific kinds of professionals. The Mexican state was not opposed to such provisions but did not see them as necessary for NAFTA to be beneficial to Mexico and so did not try very hard to obtain them.

A different Mexican government could have made different policy choices. In the 1988 election for president, Salinas only narrowly—and perhaps illegitimately—avoided electoral defeat by Cuauhtémoc Cárdenas, a left-wing challenger with a state-interventionist rather than market- and globalization-oriented platform. Had Cárdenas won and taken control of Mexico’s foreign economic policies, given U.S. opposition to including labor mobility and development funds in an agreement, he would not have pursued an agreement like NAFTA. The international financial institutions and external creditors pressured Mexico for policy changes in the 1980s and after the peso crisis in the mid-1990s, but the Salinas years were a time of generally weaker constraints. Moreover, while external advocates of market-oriented policy changes in Mexico applauded the negotiation of North American free trade—the IMF (1994) assessed NAFTA’s likely benefits to Mexico to be 0.1% to 5.0% of national income—NAFTA was never an IFI demand. Despite the central role of external support (and constraints) in the rise of the technocrats, ultimately NAFTA was a technocratic choice rather than a financial imperative.[28]

To sum up, a series of economic shocks in the 1980s transformed Mexico's financial circumstances, forcing it into close contact with international financial institutions staffed predominantly by neoclassical economists. Mexico's transition to neoliberalism and economic opening, including regional integration, unfolded as academic economics in Mexico grew substantially more neoclassical in orientation, and then as U.S.-trained economists gained increasing control of formal policy-making authority. Political elites in Mexico subscribed much more to neoclassical trade theory than did those of the United States or Canada. Unlike most politicians in Canada, Mexico's technocrats were strong believers in free trade even in the absence of support from business. Unlike in the United States and Canada, then, the decision to propose NAFTA in Mexico was conditioned by the academic backgrounds and intrinsic policy preferences of the people with direct authority over policy. On the other hand, in the face of state technocracy, and relative to the other two NAFTA countries, business was a more passive participant in Mexico. While all major business associations eventually endorsed free trade, and some Mexican businesspeople were enthusiastic from the start, the state took the decision to negotiate with minimal private sector input (unlike Canada), and had to work much harder to organize business support.

DISCUSSION AND CONCLUSIONS

Existing explanations of economic globalization are inadequate. In failing to specify how broadly their arguments apply, but pointing to different actors as the key agents of globalization, they present themselves as competing, if not contradictory. This study provides a reconciliation, showing how each of four approaches explain parts of two pathways leading states to undertake the policy changes that have led to major international economic integration since the 1980s. There are good reasons to expect substantial differences in the contexts in which different countries enact key proglobalization policy changes, making globalization an instance of "equifinality" (Ragin 2008), or "branching" (Abell 2004), wherein an outcome is achievable via multiple distinct pathways. Theoretically, this model challenges monolithic explanations of globalization, without reverting to unique explanations of each separate country case. The cases of the United States, Canada, and Mexico validate the model empirically. Conversely,

[28] As further evidence of the independence of Mexico's economic policy making, Teichman (2004) notes that Mexico resisted foreign recommendations that the financial sector be opened to foreign investment.

their consistency with a theoretical model derived from literature on a wide diversity of experiences around the world suggests that the North American cases are more typical than exceptional.

What does the two-pathway model imply for the contributions of economists and capitalists to the rise of globalization? First, technocrats' ability to effect substantial policy transformations validates that economists are important contributors to globalization. But insofar as technocrats occupy positions of policy authority because their preferences coincide with those of foreign financial institutions to which they are accountable, their choices are constrained and their power is brittle. The Mexican case discussed here supports the general conclusion of the literature that, perhaps with the exception of short-term adjustment measures in moments of acute financial crisis, external financial actors cannot dictate policy changes. Rather, external pressure is influential only in interaction with cooperative national partners (e.g., Pop-Eleches 2009). Had Cárdenas become president of Mexico in 1988, NAFTA would not have happened. Even if external financial actors have the power to reward developing countries for embracing globalization, then, those rewards are not enough to overdetermine many public policy decisions.

Given the above, second, the identities of political elites, including technocrats, do matter—but those identities may themselves be somewhat endogenous, shaped by developing countries' financial circumstances and external relations (see Chwieroth 2007). Existing accounts have noted how the financial crisis of the early 1980s, and then further shocks over the course of the 1980s, contributed to the transformation of both the Mexican bureaucracy and the ruling party. Precisely how much of this transformation would have taken place in the absence of the crisis and the financial constraints of the 1980s is difficult to say, but the evidence suggests that the transformation would have been much more limited. What is clear is that, as regards the liberalization of trade and direct investment, the influence of finance works primarily through and/or in combination with domestic technocrats, not alone.

Third, in all three countries, economists' intellectual authority helped legitimate North American free trade. Mexico's less democratic political context meant that public legitimation was less essential for NAFTA's ratification, such that economists' contribution to globalization as public intellectuals was more significant in the United States and Canada. But even in Mexico, the state employed endorsements by supportive economists to deflect what criticism of NAFTA there was—including from industry. In all three countries, consistent with economists' own (rather frustrated) feeling that neoclassical trade theory is poorly understood, many more arguments for free trade embodied the worldviews of businesspeople than those of neoclassical economists. The power of economists, in this sense, is constrained. The inability of economists in Canada to win state support for free trade before the mid-1980s also demonstrates limits on the influence of economists. Explanations of Canada's reversal that point primarily to the influence of economists either in or out of government overlook the reality that economists' input into the policy process was, in effect, unchanging for decades; the locus of the Canadian policy change therefore lay elsewhere.

Fourth, this study stands in contrast to accounts that present the private sector as either an unwavering advocate for globalization or as inevitably divided on the issue. Different segments of capital, in different countries, at different points in time, can have quite different policy preferences. Nevertheless, a given country's private sector can unite in active support of globalization, and in recent times countries with actively proglobalization business communities and willing foreign partners have pursued international agreements entrenching globalization. Even unenthusiastic industries can be incorporated in pan-capitalist campaigns for globalizing agreements and policy changes. Such alliances are fostered by de facto state-business bargains, wherein skeptical industries agree not to object in return for concessions in the details. More highly motivated business actors also mount campaigns internal to the associations connecting them to potential business dissidents, shaping the outlooks of the latter where they can. As in classic theories of capitalist class formation, intrabusiness conflicts with respect to globalization can thus be resolved through some combination of leadership by the state and/or a dominant class fraction (Poulantzas 1973; Jessop 1990).[29] Social networks connecting corporate executives also contribute substantially to the political coherence of business, including specifically with respect to globalization, as Dreiling and Darves (2011) have recently shown.

The explanatory model proposed here clarifies the balance of power among the different elite actors said to be the agents of globalization. Theoretically, that balance validates Bourdieu's aphorism that intellectuals are the "dominated fraction of the dominant class" (see, e.g., Wacquant 2007). Setting aside their particular characteristics, economists clearly fit the definition of intellectuals (see, e.g., Karabel 1996) and thus enjoy important privileges and exercise significant cultural authority. Yet in the economic and political spheres, their worldviews are subordinate to those of busi-

[29] Capitalist class formation often fails (Hart 2004; Smith 2000), but this article shows how it can sometimes succeed. Jessop (1990, p. 155) explains class formation as a process wherein "particular capitals whose interests happen to coincide with those of capital in general . . . defend them against particular capitals whose interests happen to be inconsistent therewith." Poulantzas (1973, p. 298) in turn argues that the state organizes the dominance of that leading fraction, and in the absence of such leadership, competing fractions of capital "more often than not, founder in contradictions which make them incapable of governing politically."

nesspeople, even when the latter agree with the former about the desirability of a particular agreement or policy change. Economists possess a valued resource—intellectual authority—that businesspeople do not. But even in contexts where they wield control of the state, the power of business sets limits on that of economists.

The increasing integration of previously more independent national economies has been one of the most important social changes of recent decades, and many previous studies have presented general or case-specific explanations of it. This article has attempted to build on this voluminous literature, in drawing attention to its fragmentation but also to the potential for a unified model that highlights the actors and conditions driving globalization in two types of contexts. Understanding the rise of globalization requires recognizing the importance of these particular combinations of actors and conditions, and the prevalence of two specific pathways—neither just one, nor many. The theory of globalization presented here is more specific, parsimonious, and falsifiable than previous arguments and identifies the political foundations of the strongly globalized character of contemporary capitalism.

APPENDIX

LIST OF INTERVIEWEES ($N = 115$)

United States

Askey, Thelma, Minority Trade Counsel, House Ways and Means Committee

Autor, Erik, International Trade Counsel, Senate Finance Committee

Barreda, William, Deputy Assistant Secretary for Trade and Investment, Department of Treasury

Biel, Eric, International Trade Counsel, Senate Finance Committee

Brosch, Kevin, Deputy Assistant General Counsel for International Affairs, Office of the General Counsel, U.S. Department of Agriculture (USDA)

Collins, Paula, Director of Government Relations, Business Roundtable

Condon, Leonard, Deputy Assistant U.S. Trade Representative for Agricultural Affairs

Craft, William, Division Chief, Special Trade Activities, Office of Multilateral Trade Affairs, Department of State

Dunathan, Amy, Legislative Assistant to Senator Chafee (R-RI)

Dunn, Alan, Assistant Secretary for Import Administration, International Trade Administration, Department of Commerce

Fisher, Robert, Director, Mexico, U.S. Trade Representative (USTR)

Gaines, Robin, International Trade Specialist, International Trade Administration, Office of Auto Industry Affairs, Department of Commerce

Gorlin, Jacques, Director, Intellectual Property Committee
Haverkamp, Jennifer, Director for Environmental Policy, USTR
Huenemann, Jon, Deputy Assistant USTR, Latin America
Kantor, Mickey, United States Trade Representative
Kyle, Robert, Chief Trade Counsel, Senate Finance Committee, U.S. Congress
Lamb, Deborah, International Trade Counsel, Senate Finance Committee
Lande, Stephen, President, Manchester Trade, Ltd.
Levy, Charles, Partner, Wilmer Cutler Pickering LLP
McNiel, Dale, Senior Counsel, Office of the General Counsel, USDA
Melle, John, Deputy Director, Generalized System of Preferences, USTR
Miller, Marcia, Professional Staff Member, Senate Finance Committee
Morici, Peter, Professor of Economics, University of Maine
Morton, Colleen, Executive Director, U.S. Council, Mexico–U.S. Business Committee, Council of the Americas
Otero, Jack, Deputy Undersecretary of Labor for International Affairs
Pastor, Robert, Professor, Emory University (also Director, Latin American Program, Carter Center)
Price, Daniel, Principal Deputy General Counsel, USTR
Pumphrey, David, Director, Office of International Market and Policy Analysis, Department of Energy
Samuel, Bryan, Deputy Assistant USTR for North America
Self, Richard, Deputy Assistant USTR for Investment and Services
Shapiro, Ira, General Counsel, Office of the USTR
Shoyer, Andrew, Assistant General Counsel, USTR
Simon, Emory, Deputy Assistant USTR for Intellectual Property
Skud, Timothy, Deputy Director for Tariff and Trade Affairs, Treasury
Sorini, Ronald, Chief Textiles Negotiator, USTR
Sweeney, Jack, Financial Attaché, U.S. Embassy in Mexico
Workman, Willard, Vice President, U.S. Chamber of Commerce

Canada

Barrett, Dave, NDP Member of Parliament, Trade Critic, member of the Standing Committee on External Affairs and International Trade
Bleyer, Peter, Executive Director, Council of Canadians
Boutziouvis, Sam, Staff, Business Council on National Issues
Bradford, Meriel, NAFTA services negotiator, External Affairs and International Trade
Burney, Derek, Canadian Ambassador to the United States
Cameron, Duncan, President, Canadian Centre for Policy Alternatives (also Editor, *Canadian Forum*; head, Action Canada Network analysis team; and Professor of Political Science, University of Ottawa)

Campbell, Bruce, Research Fellow, Canadian Centre for Policy Alternatives (also Senior Economist, Canadian Labour Congress)
Clark, Bob, NAFTA Deputy Chief Negotiator, External Affairs
Clarke, Tony, Director, Social Affairs Commission, Canadian Council of Catholic Bishops (also Chairperson, Action Canada Network)
Close, Patricia, NAFTA market access negotiator, Finance Canada
Dillon, John, Research Coordinator, Ecumenical Coalition for Economic Justice
Dymond, William, Minister Counsellor (Commercial), Embassy of Canada to the United States, Washington
Finlayson, Jock, Vice President of Policy and Research, Business Council on National Issues
Foster, John, staff, North-South Institute
Grey, Rodney de C., Chief Negotiator, Kennedy Round, Department of Finance
Griffin Cohen, Marjorie, Professor of Political Science, Simon Fraser University
Hart, Michael, Director of Economic Analysis, Policy Planning Bureau, External Affairs and International Trade Canada
Hecnar, David, Director of International Policy, Canadian Chamber of Commerce
Kube, Arthur, Director of Special Projects, Canadian Labour Congress (also member, Action Canada Network)
MacKenzie, Denyse, GATT division, External Affairs and International Trade Canada
MacLaren, Roy, Liberal Caucus Trade Critic (also Minister of International Trade)
May, Elizabeth, Executive Director, Sierra Club of Canada
Moore, Jim, Vice President—Policy, Canadian Exporters Association
Moroz, Andrew ("Sandy"), NAFTA Rules of Origin and Customs Procedures negotiator, External Affairs and International Trade Canada
Morpaw, May, Director of Special Projects, Strategic Policy Branch, Department of Labour Canada
Myers, Jayson, Chief Economist, Canadian Manufacturers' Association
Page, Tim, Senior Vice President—International, Canadian Chamber of Commerce
Phillips, Roy, President, Canadian Manufacturers' Association
Rebick, Judy, President, National Action Committee on the Status of Women
Sorensen, Sandra, Executive Director, Canadian Centre for Policy Alternatives (also member, Common Frontiers)
Swenarchuk, Michelle, staff, Canadian Environmental Law Association
Thibault, Laurent, President, Canadian Manufacturers' Association

Thomas, Chris, Senior Policy Advisor to the Minister for International Trade
Traynor, Ken, member, Common Frontiers
Turk, Jim, Chairperson, Ontario Coalition for Social Justice
Van Houten, Steve, President, Canadian Manufacturers' Association
Verdun, Emmy, Assistant Chief Negotiator for Investment, Investment Canada
Wilson, Michael, Minister of Industry, Science and Technology and International Trade

Mexico

Amigo Castañeda, Jorge, Director General of Foreign Investment, Secretaría de Comercio y Fomento Industrial (SECOFI)
Antebi, Karen, Deputy Director, Free Trade Agreement Negotiating Unit, SECOFI
Beltrán, Ulises, Technical Advisor, Office of the President
Carreño Carlón, José, Public Relations Director, Office of the President
Cevallos Gómez, Jesús, President, Concamin
Cohen, Aslan, Director General for Rules of Origin, SECOFI
Cruz Miramontes, Rodolfo, Industry Sector Coordinator, Coordinadora de Organismos Empresariales de Comercio Exterior (COECE) (also President, Trade Committee, Concamin)
de la Calle, Luis, Counsellor, SECOFI (NAFTA office in Washington, D.C.)
Espinosa, Enrique, Director General of North American trade relations
Fernández, Arturo, Coordinator, Deregulation Unit, SECOFI
Flores Ayala, Jesús María, Chief of Staff to the Chief Negotiator, Free Trade Agreement Negotiating Unit, SECOFI (energy negotiator)
González Fisch, Carlos, member, Canacintra's capital goods division
Gurría, Angel, Undersecretary for International Financial Affairs, Secretaría de Hacienda y Crédito Público (SHCP)
Gutiérrez Haces, María Teresa, Professor, Instituto de Investigaciones Económicas, National Autonomous University of Mexico
Heftye, Fernando, Technical Secretary, National Foreign Investment Commission
Hurtado López, Carlos, Director General of Economic and Social Policy, Secretaría de Programación y Presupuesto
Jasso Torres, Humberto, Director of Tariff Negotiations, Free Trade Agreement Negotiating Unit, SECOFI
Leycegui, Beatriz, Director of Legal Affairs, Free Trade Agreement Negotiating Unit, SECOFI
Madero, Enrique, President, Consejo Empresarial Mexicano de Asuntos Internacionales

Márquez, Héctor, Director General, SECOFI (autos negotiator)
Noyola, Pedro, Chief of Staff to the Secretary of Trade and Industry
Ojeda Gómez, Mario, President, El Colegio de México (member of the Consejo Asesor)
Ojeda, Lucía, Director of Legal Analysis, Free Trade Agreement Negotiating Unit, SECOFI
Ortiz Mena, Antonio, Director of Legislative-Executive Branch Relations, Free Trade Agreement Negotiating Unit, SECOFI
Ortiz Muñiz, René, Chairperson, Bilateral Relations Committee, Canacintra
Patiño Manffer, Ruperto, Coordinator of Legal Advisors, SECOFI
Provencio, Marco, Director General of International Financial Affairs, SHCP
Ramos, Eduardo, Director of Information, SECOFI
Rivera, Adán, founding member, Asociación Nacional de Industriales de Transformación
Rodríguez Sánchez, Leopoldo, Director, Girsa S.A. de C.V. (also Chemical industry representative to COECE)
Ruíz Sacristán, Carlos, Undersecretary, Finance (government procurement negotiator)
Ruíz Sacristán, Federico, President, National Chamber of the Electronics and Electric Communications Industry (also Vice President, Concamin; Rules of Origin Coordinator, COECE)
Salas, Fernando, Director General for Financial Services, SECOFI
Serra Puche, Jaime, Secretary of Trade and Industry
Solís, Eduardo, Director General of Agriculture and Agro-Industry Negotiations
Suárez Mier, Manuel, Minister for Economic Affairs, Mexican Embassy in the United States
Ten Kate, Adriaan, temporary entry negotiator, Free Trade Agreement Negotiating Unit, SECOFI
Ubbelohde Rosaldo, Edgar, Government Procurement Coordinator, COECE (also Vice-Chairman of the Government Procurement Committee, Concamin)
Villarreal Gonda, Roberto, Director General of Technological Development, SECOFI (IPRs negotiator)

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