

Dispute Resolution
Institute

Secretary of Finance
NEW MEXICO

General Background

It is the fall of 2023. The previous two years have seen a number of dramatic developments in the state of New Mexico. The state's economy has been hit hard by massive cuts from Washington in defense spending and the planned closing of major air force and army bases, which have disproportionately impacted New Mexico. All of the bases inside of New Mexico, including the famed White Sands missile base, have been slated for closing by end of 2015. The closings alone would nearly double the number of unemployed New Mexicans, which was already near the highest in the United States at almost 20%. More than one-third of New Mexicans are already at or below federal poverty levels.

Despite significant economic recovery in the rest of the country, New Mexican private industry has suffered its own set of financial issues. New U.S. agreements with India and China have limited many New Mexican technology companies from growing their business with Mexico and South American partners. A trade embargo on Venezuela earlier this year has put three of New Mexico's largest manufacturers on the brink of bankruptcy.

In addition, new and stricter immigration policies that were enacted in spring of 2014 have been very unpopular with the majority of New Mexico's residents. Many of the Mexican-American residents in the state were put in the position of having to deport some of their relatives or face criminal charges. Recent discussions in Congress on establishing English as the official national language also deeply rankled the New Mexican populace and leadership.

Everything came to a boil last year at the state's centennial celebration. The Vice President and other U.S. dignitaries were literally booed off the stage. Hours later, federal marshals and secret service agents were summoned to help defend the IRS office three blocks away after a small group had fire bombed the building. Four New Mexican residents were killed by one of the trucks carrying federal marshals. The four had attempted to prevent the truck from pulling into the parking area by lying down in the street. The driver of the truck claimed that he did not see them because of the smoke and darkness, although it was 3:00 in the afternoon.

The response from Washington did not ease tensions. Washington took a hard line against calls from New Mexico to provide assistance ("we must continue to act in accordance with what benefits all of the citizens of the United States and not play favorites"). During a press conference, the President failed to acknowledge the deaths of the four residents and instead called on the people of New Mexico to resist "violence and terrorism" and to "abide by the laws of this great country."

After two more incidents of fire bombing (one at a postal station in Santa Fe and another attack at a small IRS office in Roswell), additional federal marshals were ordered to guard other federal facilities throughout New Mexico. Federal troops were stationed at the state borders on federal interstates to inspect trucks entering the state. Outraged at the level of federal intervention, the New Mexican congressional delegation submitted their joint resignations the next day.

Incredibly, within a matter of weeks, the state government began to consider seriously the extraordinary possibility of seceding from the United States. The Governor went on state-wide internet broadcast to explain how the U.S. federal government has now made life in New Mexico impossible under “its tyrannical stranglehold.” The state legislature, buoyed by 80% poll numbers in favor of secession by New Mexican residents, enacted special legislation and officially seceded from the United States. Last month, in a historic, state-wide special referendum, the citizens of New Mexico voted more than three to one to finalize their independence as a fully autonomous, separate nation.

This development has been very difficult for the remaining United States. The current administration still considers New Mexico part of its sovereign nation and has not recognized New Mexico as an independent country. The rest of the world, on the other hand (which has been monitoring the situation closely for the past few months), has embraced New Mexican independence and has tried to put pressure on the United States to relinquish its claims to New Mexican assets. As one leader of a prominent Middle Eastern nation put it, “if we are to promote democracy across the planet, we must be willing to promote it inside of our own borders.”

Tensions between the new nation and its parent country have heightened since the formal secession vote last month. Many international observers worry about the real possibility of formal conflict between the two countries. Of particular concern is that New Mexico, by virtue of Los Alamos, White Sands and other former United States military facilities and weapons systems, is now the third largest nuclear weapons power in the world, behind the United States and the Russian Federation.

A number of specific actions have also contributed to the anxiety. The United States has deployed nearly 10,000 National Guard troops along the interstates and U.S. highways that connect New Mexico to its neighboring states. Another 7,500 troops are guarding the New Mexico – Mexico border. The troops have been ordered to block all trucks from entering or exiting the new nation, effectively blockading all ground transportation to and from New Mexico. In addition, the United States has frozen the banking assets of companies that claim New Mexico as their home country (which includes some major aerospace and defense companies with important ties internationally).

On the other side, there have been two attacks on U.S. military bases in Arizona where explosives were used against empty transport equipment. These attacks were carried out by militia who claim loyalty to New Mexico (but disavowed by New Mexico leadership). There has been reported sniper fire on some of the U.S. troops patrolling the New Mexican border, but no reported injuries. There is real concern that more conflict could erupt.

The United Nations has appointed a delegation (bypassing a threatened Security Council veto from the United States) to try to broker some sort of agreement to reduce the current tensions. The delegation has asked representatives from each country to attend meetings this afternoon.

Secretary of Finance, NEW MEXICO

The following is a brief description of your role. Please read and consider the information carefully. Note that you have both individual and team goals. You may not share this document with any other class member (whether or not they are on your team).

You are the Secretary of Finance for the new Democratic Republic of New Mexico. The Governor has asked you to personally participate in these talks and provide your expertise to the negotiation team. The team has been granted full authority to make whatever agreements are appropriate in light of the information below.

Your role is a little different than those of your colleagues. Despite your prominent role in the new administration of this infant nation, you believe that the current administration is incompetent and must be overthrown. You are working secretly with a small group of other prominent New Mexicans, who are waiting in the wings for an opportunity to take power.

Your mission in these discussions is to do whatever necessary to prevent any deal between New Mexico and the United States. The failure of the current administration to reach an agreement through these talks would be highly useful to you and your group.

That said, you must proceed cautiously. You do not want your mission to become public, so you must find ways to undermine the agreement in ways that do not implicate you. The blame for failing to reach an agreement must lie with the others – preferably your New Mexican teammates, if possible. But in any case, you must not be seen as the problem.

You realize that without some type of agreement, things in New Mexico could go from bad to worse. The new country is in danger of unraveling. The economic sanctions imposed by the United States have crippled the economy and the growing tensions have decimated the tourist industry (New Mexico's third largest economic driver after aerospace and defense).

Yet the greater good served by a new administration is worth the risks. Here is some additional background to assist you:

The New Mexican economy is dependent on leveraging its aerospace and defense resources, most of which once belonged to the United States. It would be helpful to have at least most of the pending international trade agreements, including many with new South American allies, continue to go forward. While New Mexico is willing to trade with the United States, it needs to establish other international partners (Mexico's presence here is a little bit interesting – they could be a modest partner, eventually, but more immediately, could add complexity that might help derail any progress).

In addition, New Mexico needs certain security assurances that U.S. forces will not intervene with New Mexican affairs or enter New Mexican territory. Everyone in New Mexico recognizes

their new power as a nuclear power and military threat. You are not to be bullied by the U.S. You want the international business community to understand that New Mexico has the courage to forge its own path if necessary (an idea popular with some of your new friends in China and Russia).

Additionally, New Mexico would like to establish the international presence of New Mexico on the world stage. The U.S. still refuses to recognize New Mexico as a sovereign nation, for example. As you work to derail the discussions, look for opportunities for New Mexico to emerge from the talks as what every New Mexican citizen hopes for: recognition as a major player on the scene.

This would include improved economic conditions. Among the obvious issues are unfreezing all of the banking assets of New Mexican companies. New Mexico would also like to see no more U.S. interference with shipments in and out of New Mexico – even those from within the United States. As a landlocked country, New Mexico depends on the highways of both the United States and Mexico for shipping access. Relatedly, the U.S. must leave New Mexican airspace and stop interfering with commercial and cargo flights in and out of New Mexico.

Regardless of the urgency of these issues for New Mexico, your instructions are to prevent any agreement between New Mexico and any other stakeholder at the meeting (other than agenda or process issues like that). You must keep this mission secret.