

CINTIA QUILICONI

# US–Latin American Trade Relations: Path to the Future or Dead End Street?

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CENTER FOR POLICY STUDIES  
CENTRAL EUROPEAN UNIVERSITY

Nádor utca 9  
H-1051 Budapest, Hungary

cps@ceu.hu  
<http://www.ceu.hu/cps>

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Cintia Quiliconi

University of Southern California  
quilicon@usc.edu

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## 1. Introduction

Latin America has a complex relationship with the US. On its own, the region includes over half a billion people and a gross national income of two trillion dollars, making it the wealthiest region of the developing world. Historically and currently, Latin America as a region of the developing world is the one with which the US has the strongest relationship: the 33 million Latinos in the US are now that nation's largest and fastest growing non-Anglo group, and US trade with Latin America represents 58% of its trade with developing countries. This relationship is also far more intense when viewed from a different perspective: an absolute majority of all Latin American trade is with the US, and US military forces have intervened in Latin America on at least 50 separate occasions during the last 100 years. However, the hemisphere has usually been given short shrift by Washington, Latin America only appears at the top of the agenda in the event of a direct threat to US interests or due to confrontation with foreign powers coveting a foothold in its backyard (*Newsweek*, 2001).

The Bush administration stated during the first presidential campaign that Latin America was going to be one of its highest foreign policy priorities and that the long neglected region would occupy a central place in US foreign policy. In the first months of his presidency, Bush broke with tradition and visited Mexico instead of Canada on his first trip abroad. But in the wake of 9/11, Latin America has suddenly, again, found itself relegated to the wings of the world stage. Even though President Bush, during the first presidential campaign, said, "Should I become president, I will look south, not as an afterthought, but as a fundamental commitment to my presidency," the region has become neglected once again. Latin America is the only region in the world that will suffer foreign aid cuts in Bush's proposed 2005 fiscal year budget (*The Miami Herald*, 2004). This is a very significant decision at a time when Latin American democracies are threatened, extreme poverty is growing and the parties to the Free Trade Agreement of the Americas (FTAA) are supposed to come to an agreement.

During 50 years of the Cold War, the US undoubtedly subordinated moral principles to security issues and the objective of defeating communism. The great upholder of laws at home sometimes ignored them abroad, invading Latin American countries and supporting dictatorships in the region in the name of fighting the spread of communism. Since the end of the Cold War, economic issues have replaced security issues as the most important aspect of America's interaction with the developing world. The US agenda, with Latin America in particular, is now focused on economic issues and the implementation of free market principles. Since the fall of the Berlin Wall, tremendous power has been granted to the developed nations, entrusted to make good the promise of a free market for the rest of the world. In this vein, Hurrell (2004) points out that during the 1990s US-Latin American relations were shaped by four sets of factors: first, the deepening integration and interdependence of both regions created a powerful demand for interest-driven cooperation and has effectively tamed or blunted US hegemonic power; second, the pluralist character that politics embraced within the US; third, the consensus that emerged around human rights and democracy; fourth, the development and internalization of shared liberal preferences and normative understandings.

During the Cold War years the US saw Bretton Woods Institutions and multilateralism as favorable to its interests. By defining its interests broadly and in an inclusive manner, Bretton Woods Institutions were able to include other countries which were keen to sign on to a vision that stressed a system governed by rules. Since the end of the Cold War US policy towards international institutions has hardened and economic policy has become much more explicitly linked to security policy (Higgott, 2004). In this vein, the US's continued rhetorical commitment to multilateralism has been

replaced with a new strategy of signing free trade agreements with regional partners first and then preferential trade agreements (PTAs) with allies.

Robert Zoellick, Former US Trade Representative, has explained clearly what, from the US point of view, the country seeks through expanding its range of bilateral trade negotiations. In Zoellick's view, PTAs will trigger competitive liberalization as an alternative route to global free trade that cannot be reached in other forums. Facing a lack of progress in the FTAA and multilateral negotiations the US has turned to bilateralism, often as a means of favoring loyal allies and punishing indecisive friends. The intrusion of domestic political considerations into the choice of trade patterns and the agendas covered by bilateral and regional agreements may favor particular business interests but often has negative impacts on the long-term development goals of the Latin American countries.

In these negotiations, the US has pursued a variety of national interests that Feinberg (2003) categorized in the following way:

- Asymmetric reciprocity to open markets that take into account the interests of US traders and investors.
- Competitive liberalization as a means to establish precedents for wider trade agreements and to soften any opposition to them.
- Using trade negotiations to secure domestic market-oriented reforms in Latin American countries.
- Strengthening strategic partnerships.

Anti-Americanism in the region is understood in this paper as the prevalence of a negative image of the US in the Latin American countries, followed by the rejection of the policies that the US has tried to impose in the region by different civil society groups. Currently, the anti-American sentiment in the region is linked to the anti-globalization movement and it is difficult in certain situations to separate one from the other. The intended focus of this paper is to show that anti-Americanism in Latin America has experienced a cycle based on different issues and has had different degrees of intensity. During the 1960s, 1970s and the early 1980s, anti-Americanism in the region was mainly related to security issues and violations of human rights and sovereignty. The debt crisis in the 1980s, together with the end of the Cold War, introduced economic reform in Latin America as an imperative issue and shifted the main focus of the US-Latin American agenda: during the 1980s, the goal of US intervention in the region became controlling and limiting democratization during transition. As in the 1960s and 1970s mass popular pressure against the US was controlled through the support of dictatorships, conversely, the reconstruction of democracy was accompanied by a shift in control of political society to control of civil society. Democratization and free market policies during the 1990s appeared as the most effective means to ensure stability. These processes were controlled through the US penetration of the local elite in civil society. This penetration along with the shock of the economic crisis of the 1980s and the exhaustion of the Import Substitution Industrialization (ISI) model served to soften anti-American sentiment and resistance to US policies in the region.

The failure of the so-called Washington consensus policies—together with its legacy of a dangerous triangle of democracy, poverty and inequality—served to revive anti-American sentiment in the region. At the same time, while the FTAA negotiations were possible in a context of the debt crisis once the unilateral, and multilateral, opening of the national economies to foreign competition did not deliver the expected benefits different networks of private firms, trade unions and Non-Governmental Organizations (NGOs) throughout Latin America tried to resist the US agenda in the FTAA and foster the protection of their own interests, posing serious obstacles to the progress of this initiative. In addition, American foreign policy after 9/11, followed by the Iraqi war and the political and economic instability that appeared in Latin America at the end of the 1990s and beginning of the

21<sup>st</sup> century, ended in widespread rejection of the US policies and the revival of anti-Americanism, a phenomenon that can be witnessed in the results of various polls.

Taking into account the cycle of anti-Americanism described above, the general consensus is that anti-Americanism in Latin America was first related to security issues and after the failure of the Washington consensus policies this sentiment became rooted mainly in economic issues. Nonetheless, if we take into account that economic policy became much more explicitly linked to security policy (Higgott, 2004), it can be said that it is not that anti-Americanism has changed its target, but rather that security issues are intertwined with economic issues and the US is exerting soft power through economic relations with security aims.

This paper is divided into five sections. The first section analyzes the link between economic integration in the Americas and the hegemonic power that the US exerts on the region through the FTAA initiative. The second section addresses the change in Latin American economic policies, taking into account the different role that US hegemony has played in the region. The third section analyzes how trade structures shape the different Latin American positions in the FTAA. The fourth section addresses when and how anti-Americanism re-appeared in Latin America during the 1990s. The fifth section delineates possible future scenarios with regard to US hegemonic intentions in the region and the potential reactions to those policies. The final section concludes the paper.

## 2. Hegemony through the Lens of Economic Relations

The theory of hegemonic stability as applied to international political economy defines hegemony as the preponderance of material resources. According to Keohane (1988) hegemonic powers seek control over raw materials, sources of capital, control of the markets and competitive advantages in the production of value-added goods. In contrast, a Gramscian definition of hegemony considers that this situation occurs when one class exercises leadership over the other classes by gaining their active consent through ideological, moral or cultural values. Thus, hegemony as applied to the international arena is not the domination of one nation by another, but the leadership of a transnational dominating class sustaining a dominant core.

Foreign policy reflects the interests of a small elite that control the domestic political economy. Civil society, which Gramsci defines as the complex of private organizations such as political parties, trade unions and the mass media, has played a influential role in forming US foreign policy once the capitalist mode of production has become consolidated. In this sense, the aim of promoting democracy and a free market is to penetrate civil society in countries of US interest and not to suppress but inculcate it with the understanding that democracy is a material force that orients and sets limits on human behavior by establishing general codes of conduct that tend to strengthen free market principles.

Ruggie (1998) points out that political authority represents a fusion of power with a legitimate social purpose. In this sense, the way in which power and legitimate social purpose become fused to project political authority into the international system, led the author to characterize the international economic order by the term “embedded liberalism”. Economics is clearly the primary force behind US foreign policy in Latin America; the role of the US became to institute and safeguard the self-regulating market as its most important security concern. The liberal international economic order is maintained by a hegemon that uses its resources and influence to establish and manage an international economy based on free trade, monetary stability and the free movement of capital (Gilpin, 2001). The US was a firm hegemonic power with imperial aspirations during the Cold War and this situation forced Latin American countries to enter the international scene either in a passive

or American-friendly way. Nowadays the situation is completely different, as Latin American leaders appear more ambivalent about the nature of US hegemony and its effect on their countries' interests.

Latin America is a relatively important market for US exports and is the recipient of billions of dollars in private and government US loans. At the same time, the region is a major source of raw materials and other resources, and is also an expanding region for US foreign direct investment (FDI). In the American foreign policy to the region there has been a shift from coercive mechanisms of social control to consensual ones and that turning point corresponds with the development of initiatives for globalization since the late 1970s and beginning of the 1980s.

Since the end of the Cold War, it can be argued that the US has viewed Latin America as important only in economic terms; what Tulchin (1997) has described as the "NAFTA-ization" of inter-American relations. US policy seems to avoid getting involved in security issues except where domestic politics put pressure on involvement. In this sense, inter-American relations in the post-Cold War era are characterized by their focus on trade and economic issues. However, as mentioned before, security and economic agendas are intertwined and it is difficult to disaggregate objectives in these two different arenas. The FTAA negotiations can be seen as a deliberate attempt by the US to consolidate its hegemony in the region by integrating Latin American economies into the US sphere of influence. In strategic terms, the FTAA is the most important hemispheric pillar in the process of forming a new international order adjusted to the US interests. The initiative confers increasing bargaining power to the US in its capacity as a global power. It is a multilateral option headed by the US in a region of the world where it possesses the most influence and, from the standpoint of its requirements for liberalization, is consistent with the multilateral disposition of the World Trade Organization (WTO) and goes beyond it. The projected establishment of the FTAA constitutes the backbone of the hegemonic strategy of the US within Latin America and the Caribbean.

Actors in world politics can no longer be conceived as states. In the FTAA two other essential elements play a key role: networks among agents and norms (Keohane and Nye, 2000). Thus there is a three-dimensional governance of the FTAA. In other words, the FTAA negotiations can be described as the exercise of leadership by the American networks (private firms, trade unions, NGOs, and sub-units of government) over Latin American networks. Through this leadership, American networks are trying to gain active control over its interests by establishing regimes in the areas of services, investment, intellectual property rights, governmental procurement, labor standards, etc. which will protect its benefits in the region and secure the reforms that Latin American countries have already implemented. In a certain sense the states have become the brokers of these networks.

In purely economic terms, for Latin America the FTAA brings the promise of free access to the large US market and to US investments and technology; while for the US the initiative would also open up the most dynamic market (after NAFTA) for US exports, particularly better market access in manufacturing. The US would also be able to consolidate its control of the Mexican market while expanding exports and investments to the rest of the region. Last but not least, the FTAA has a strategic dimension that can help the US legitimize its hegemonic role in South America. In this sense, the FTAA can be understood as the new US strategy to consolidate its "informal empire" in Latin America in a consensual way (Carranza, 2004). Latin American heads of government, at a time when the Washington consensus was the dominant mind frame, warmly received the initiative. Countries in the region were making progress both in the political and economic fronts, leaving behind the worst excesses of authoritarianism, regulation and protectionism. When the heads of state of the Western Hemisphere signed the 1994 Miami Declaration and Plan of Action there was a consensus to accept American leadership in the post-Cold War and in favor of trade liberalization. Today the picture is one of political backlash.



The US proposal to constitute the FTAA, and more recently the proposals of bilateral trade agreements, can be understood in liberal terms as a way to exert “soft power” (ideational and institutional) by attracting others to subscribe to, and thus legitimize, the order established by the dominant power. In this sense, it is important to take into account that the grand American strategy since the Second World War has been dominated by the construction of international institutions and norms consistent with the liberal democratic structures of American capitalism (Iceberg, 2001).

According to Haggard (1995), the FTAA initiative can be seen as a deliberate attempt by the US to consolidate its hegemony in the western hemisphere while legitimizing a deep integration agenda that includes: 1) the effort to extend international rules in trade and services; 2) the effort to eliminate differences in national regulatory regimes that have discriminatory effects on trade and investment (intellectual property rights, technical standards, and industrial, financial, labor and environmental policies); and 3) the effort to reduce differences in national corporate, industrial and even political structures.

### 3. From the ECLAC's Consensus to the Washington Consensus

Since the 1980s trade liberalization and democratization processes in Latin American countries have advanced hand in hand. This trend gathered momentum as most of the developing countries embraced this “rush to free trade” and integrated their economies into a global one. At the same time an important number of them were experiencing the process of democratization.

The linkage between economic and political reform is not new. Under the Marshall Plan for postwar reconstruction, the US required European countries to engage in regional economic cooperation and trade liberalization. Similarly, the US has pursued the expansion of trade and investment with countries such as Japan in order to shore up their support for capitalism and democracy. More recently, the European Union (EU) added an explicit democratic clause to its formal charter once the membership of younger democracies in Central and Eastern Europe became a possibility. Yet the connection between free trade and democracy is neither linear nor guaranteed (Feinberg and Bates, 2001).

The debt crisis in the 1980s introduced economic reform as an imperative issue in Latin America. During the 1990s, most policy makers of the International Financial Institutions (IFIs) argued that the process of opening up to free market trade was an integral part of the whole economic reform. In the early 1990s the economic reform recipes applied in most of developing countries had a mix of three main ingredients: stabilization, liberalization and privatization. As pointed out by a United Nations report, one of the most important consequences of the debt crisis in Latin America was a radical change in the economic philosophy. “In contrast to the external shocks and crisis of the 1930s, which had led to a switch away from *laissez-faire* towards a strategy of import substitution, and provided for a greatly enlarged role for the state, the shocks and crisis of the 1980s led to exactly the reverse movement, towards an outward-oriented development strategy based on deregulation, liberalization, and privatization.” (UNCTAD, 1995: 73). Latin American countries have chosen to integrate their economies into a global one by the process of trade liberalization. The so-called “Washington consensus” led most of the countries in the Latin American region to adopt similar outward oriented policies which replaced the inward oriented policies that were promoted by the Economic Commission for Latin America and the Caribbean (ECLAC) in previous decades.

There are three main arguments for explaining economic reforms in developing countries, the first one relates to external pressures, the second one focuses on political leaders and their ideas and the third one is linked to the reform according to the depth of the economic crisis the countries were

experiencing. Some scholars (Kahler, 1986 & 1989; Haggard and Kauffman, 1992; Stallings, 1995) have argued that economic reform was possible because external pressures forced developing countries to change their policies and join the global economy. Some of these arguments highlight the role of the private investors and the countries' desire for foreign direct investment and others focus on the pressures that IFIs exerted on them. Conversely, Edwards (1995), Krueger (1997) and Sikkink (1997) pointed out that economic reform was possible because of the changes either in political leaders or in the ideas they sustained about economic development. Particularly, the failure of the ISI forced the leaders to embrace trade liberalization policies. By contrast, the third group of explanations emphasizes the role of the economic crisis as the spur of reform. Rodrik, (1996) Drazen and Grilli (1993) and Alesina and Drazen (1991) pointed out that the more distorted the policy in place and the worse off the economy the more likely all interest groups will be able to agree on reform.

The FTAA proposal was not only possible because of this change in the economic and political policies in Latin American countries, the change in the US foreign policy played a key role in this trend. The opening up of national economies to foreign competition, an essential element of the Washington consensus policies, is the ideological foundation for the FTAA (Carranza, 2004). Anti-Americanism and resistance to the implementation of neo-liberal policies among Latin American countries almost disappeared during the 1990s due to a combination of three different causes. First, the financial crisis of the 1980s, accompanied by the exhaustion of the ISI strategy, empowered the liberalizing winds and weakened the domestic opposition to the reforms. Second, there was an important pressure from the IFIs, mainly influenced by US concerns that encouraged Latin American countries to implement the Washington consensus reforms. At the same time the new direction of FDI flows, which were previously focused in OECD countries, played a crucial role at the time by encouraging and legitimizing the new policies. The globalization effects helped the Latin American governments to overcome the structural domestic pressures for protection. Third, there were a series of changes in the ideological approach of the administrations in Latin America, most of them embraced in varying degrees neo-liberal policies and unilateral liberalization. These structural shifts in Latin American economies and politics altered the traditional aversion in the region to integration with the US. The public opinion became little by little more prone to support democratic, market-oriented, open and competitive policies with the hope of obtaining important economic and welfare benefits later.

The wave of economic reforms that swept through Latin America in the 1990s reflected not so much ideological conversion, but the exhaustion of other means of redressing prior policy failures. With the exhaustion of the import-substitution industrialization, the stagnation of traditional agriculture, limited export sectors, a marked dependence on the importation of capital goods and an active role assigned to the state, Latin American economies were vulnerable to external conditions and experienced strong tendencies toward public-sector deficits. The debt crisis brought the inadequacies of its protectionist, statist economic model to a head. However, a disposition remained in the region to resist the pressure to adopt doctrinaire programs of immediate market liberalization, despite the fact that since the 1970s there were various attempts to implement this model under the dictatorships in various countries such as Argentina and Chile. During the 1980s and under the new democratic regimes different heterodox schemes to deal with inflation and stagnant growth were implemented. After they failed and the economies of the region were trapped in a high inflation-low growth scenario, the resistance to orthodox liberal policies began to yield. In this context of frustration and failure the package of neo-liberal reforms were fully implemented (Stark, 2001).

Today, the rules and institutions of the democratic regime in Latin America are similar to the more mature democratic countries, but its societies are completely different from them. The Latin American democracy exists in a context of widespread poverty and inequality. For the first time a

developing region with a deep level of inequality is entirely organized under democratic regimes. The triangle of democracy, poverty and inequality defines Latin American politics nowadays. The tension between economic and political reforms is a key characteristic in Latin America during the 1990s (UNDP, 2004). As Table 1 shows, the reform strategy that has promised to bring prosperity has failed. It has not brought spectacular growth to the region; moreover, in some parts of the region it has brought increased inequality and poverty.

*Table 1*  
**Reform and Reality**

<i>Years</i>	<i>Economic Reform Index<sup>1</sup></i>	<i>Electoral Democracy Index</i>	<i>GDP per capita growth %</i>	<i>Poverty %</i>	<i>Indigence %</i>	<i>Gini Coefficient</i>	<i>Urban Unemployment</i>
<b>South American sub-region (Argentina, Chile, Paraguay and Uruguay)</b>							
1981-1990	0.66	0.44	-0.8	25.6	7.1	0.509	8.8
1991-1997	0.82	0.88	1.3	20.3	5.5	0.527	8.7
1998-2003	0.84	0.91	1.0	26.0	8.7	0.519	12.1
<b>Brazil</b>							
1981-1990	0.52	0.70	1.8	48.0	23.4	0.603	5.2
1991-1997	0.75	1.00	0.6	40.6	17.1	0.638	5.3
1998-2003	0.79	1.00	1.2	37.0	12.7	0.640	7.1
<b>Andean Sub-region (Bolivia, Colombia, Ecuador, Peru, Venezuela)</b>							
1981-1990	0.53	0.83	-0.5	52.3	22.1	0.497	8.8
1991-1997	0.76	0.86	0.9	50.4	18.2	0.538	8.3
1998-2003	0.82	0.83	0.0	53.1	25.5	0.545	12.0
<b>Mexico</b>							
1981-1990	0.61	0.31	1.7	47.8	18.8	0.521	4.2
1991-1997	0.78	0.70	0.4	48.6	19.1	0.539	4.0
1998-2003	0.81	1.00	2.1	43.1	16.7	0.542	2.6
<b>Central American Sub-region (C. Rica, Dom. Rep., El Salvador, Guatemala, Honduras, Nicaragua, Panama)</b>							
1981-1990	0.55	0.59	4.0	45.2	31.1	0.551	9.1
1991-1997	0.80	0.89	-3.7	52.1	27.9	0.526	9.1
1998-2003	0.85	0.97	2.6	52.5	28.9	0.554	8.7
<b>Latin America</b>							
1981-1990	0.58	0.64	0.7	46.0	20.4	0.554	8.4
1991-1997	0.79	0.87	0.7	41.9	17.9	0.557	8.8
1998-2003	0.83	0.92	1.2	41.8	17.4	0.566	10.4

Source: UNDP, 2004

The critics of the reform have pointed out that growth was not sustainable and it also exposed countries to new sources of volatility, which was, in turn, associated with an increase in poverty. The poorest typically bear the brunt of increases in unemployment, the unskilled workers are usually the most affected and have no savings to turn to (Stiglitz, 2002). Even though the standard neoclassical theory predicts convergence between the less developed countries and the more developed countries, as the former will grow faster than the latter, the Latin American performance in relation to the US during the 1990s does not support that theory. Even in the earlier part of the 1990s, when reforms were supposed to be successful, per capita income in the US grew more rapidly than in Latin America (see table 2).

*Table 2*  
**Average Annual Rate of Convergence Latin-America-United States**  
**(Excess of growth rate of Latin America over the United States)**

	1960-1970	1970-1980	1980-1990	1990-2001
GDP	1.42	2.58	-1.93	-0.46
GDP per capita	0.01	1.19	-2.95	-0.9

Source: Stiglitz, 2002

Note: Calculations based on data from World Development Indicators, World Bank.

It was in the first half of the 1990s that growth took place (see table 1) and there was a general perception that the reforms had been successful. In the second half, particularly after 1997, the general performance of the region was characterized by stagnation, recession and depression. The decade of the 1990s ended equivocally in Latin America and the Caribbean with a general sense of disappointment in economic performance.

Controlling, safeguarding and limiting democratization during transition emerged as the US priority in the region during the 1980s. As in the 1960s and 1970s mass popular pressure against the US was controlled through the support of dictatorships, since the early 1980s the US has played a role in facilitating transitions to democratization (in countries such as Chile, Mexico and Haiti), helping to shore up weak or threatened democratic states (such as Colombia) and preventing or reversing constitutional interruptions (for example in Peru, Ecuador and Guatemala) (Hakim, 2003).

In this sense, promoting free market democracy can be understood as the US attempt to develop a transnational hegemony based on security concerns. The US has taken the lead on behalf of the transnational elite. Latin American states were internationalized and international/regional institutions guided the implementation of development policies in domestic institutions. The central contradiction experienced in the Latin American countries during the 1990s and also today is the coexistence of political equality and socioeconomic inequality, surrounded by a tendency towards extreme concentrations of wealth and real power.

The failure of the Washington consensus policies that prescribed a fundamentalist conception of trade liberalization, market-oriented open regionalism and unilateral liberalization became the point of attack for the civil society who blamed their political elites for embracing policies that did not produce the expected results. Latin American countries have chosen to integrate their economies into a global one by dismantling protectionist barriers but the liberalization did not achieve the expected productivity and competitiveness gains. Nevertheless, the most recent Latinobarometro poll suggests a growing resilience in Latin American democracy. Some 62% say that under no circumstances would they support a military coup (though only 51% in Ecuador, 49% in Peru, and 31% in Paraguay). And 70% agree with the Churchillian notion that whatever its problems, democracy is the “least bad” system of government (The Economist, 2005).

#### 4. Trade Structures and FTAA Positions

For Latin America the FTAA brings the promise of access to the large US market and to US capital and technology, but the process itself is different from previous experiences of integration as it seeks to integrate sub-regional blocs and very asymmetric countries. The forms of the sub-regional and hemispheric negotiations are dependent both on internal, domestic political calculations and external,

structural factors. Policy makers possess strategic sophistication that helps them maximize their chances of being re-elected by internal constituencies that may choose to support or abandon them and by external actors who may try to impose their will on the state. To keep their position, leaders must attend to external and internal restraints and inducements. International trade negotiations involve an inherent tension between international and domestic politics. Leaders sometimes have to choose between actions that please domestic constituencies but bother foreign countries or actions that will resolve differences with foreign opponents but irritate the domestic constituency (Bueno de Mesquita, 2000). As Phillips (2003) pointed out, the relationship between sub-regionalism in Latin America and the FTAA negotiations varies not only across sub-regions, but also, across the individual member states of those sub-regions.

The application of neo-liberalism in Latin America took place under a confluence of external and internal conditions and factors. On the external side, the industrialized capitalist, with the promise to bring technology and capital, induced the unilateral opening up to trade and investments and promoted stabilization policies through complementary political measures. Pressure to implement reforms was exerted through the renegotiation of the foreign debt and the promise of providing better access to markets. From the internal perspective, the debt crisis and the imperative need of substituting the obsolete ISI “development” model that had prevailed for many years also put pressure on leaders to accept the IFI’s recipes. This situation had conditioned and softened the receptive attitude of local elites that became more prone to accept and establish a new association with transnational capital.

The FTAA can be understood as an attempt to entrench these neo-liberal reforms. As it is widely known these neo-liberal reforms provided a road map for policymakers, focusing on a fairly narrow set of economic indicators, a sort of macroeconomic template that could be employed with the endorsement of multilateral institutions and lenders, foreign governments, and export-oriented business sectors. Domestic agriculture and industry faced intense external competition, labor unions were weakened and the traditional circuits of political power were disarticulated and weakened (Stark, 2001).

The trade patterns in the hemisphere after a decade of liberalization and implementation of neo-liberal policies mainly showed the following characteristics. High-tech equipment and industrial goods characterize US exports to Latin America, particularly, in motor vehicles, parts and accessories, computers, telecommunications, electronics, electrical machinery and electrical power generation industries. The US has established markets in the region and would obtain benefits from liberalizing trade. At the national level the relative importance of individual commodities varies from country to country. For example, the principal destiny for US automobiles, parts and accessories are Colombia, Chile, Mexico and Venezuela. In telecommunications equipment the principal buyers are Argentina, Mexico, Paraguay and Venezuela; while in computers the main markets are Argentina, Brazil, Colombia, Chile and Paraguay; in turn, in aircraft and associated equipment the principal buyers are Argentina, Brazil and Colombia (Gray Rich, 1997).

There are two main Latin American exports to the US trade in petroleum products and trade in semi-manufactured and manufactured goods. In petroleum products the historical major producers (Mexico, Venezuela and Ecuador) are now accompanied by newer producers (Colombia and Argentina). Trade in manufactured and semi-manufactured goods represents around 30% of Latin American exports to the US and they are heavily concentrated in the big three economies of the region, Mexico (the one most favored by the North American Free Trade Agreement), Brazil and Argentina.

According to ECLAC (2003), in the last decade three trends of export specialization can be identified in the Latin American region. First, there has been an increase in the north-south trade of

manufactured goods mainly oriented to the US market, for instance Mexico and some Central American and Caribbean countries. This trend of export is characterized by the maquila industry, mainly in Mexico. Second, the integration of South American countries in the south-south trade. These countries also have a more diversified trade in terms of exports markets that include their own regional markets. Even though the exports of basic products have been reduced in terms of their importance in the total of regional trade, in Mercosur and Andean Community countries the exports of basic products and manufactured goods based on natural resources still represent a high percentage in the total external sales (58% Mercosur, 86% Andean Community). Third, in some Caribbean countries and Panama the export of services, particularly those related to tourism, finance and transportation, are becoming very important. Even though this is a very simplistic classification of the export specialization it sheds light on the potential interests of each group of countries in the FTAA negotiations.

The hemispheric initiative plays a mixed role for Latin American countries. As it was pointed out, the economic structure of Latin American countries is very asymmetric. Mexico and some Central American and Caribbean countries, the countries geographically nearest to the US, are highly dependent on the US market for exports particularly, as we pointed out, in the maquila industry products. Mexico has no problem in terms of access because it is part of NAFTA but the other Central American countries see the FTAA as the guarantee of a preferential market access to the US.

The two major countries in the region, Brazil and Mexico have different patterns in terms of trade. Mexico has diversified its products, but at the same time its export markets are highly concentrated in a few destinations and are highly dependent on the US. Conversely, Brazil has a more diversified trade pattern, not only in terms of market exports but also in terms of products. In sum, Mexico and some Central American and Caribbean countries have increased their exports, mainly to the US market, in dynamic and high technology products; however, the maquila activities still play a key role. The South American countries, and Brazil in particular, have also increased their exports but with products of low growth in terms of international demand. On the positive side they have increased their diversification in terms of market exports and products (ECLAC, 2003).

In terms of imports, Latin America is highly dependent on the US; the US has responded to the Latin American needs for new capital goods, and its multinational corporations in the region have supported the demand for intermediate goods. Nonetheless, it is more important to highlight the way in which the US has maintained its importance as a destination for Latin American exports despite the changes in the composition of exports. As it was pointed out, in various Latin American countries the importance of exporting raw materials has been replaced by manufacturing goods and services, and the US continues to be the main export market for new and traditional exports. Conversely, in the case of the European Union the Latin American exports are still dominated by primary products supplied mainly by Mercosur countries (Bulmer-Thomas, 1998).

The diversity of products and trade explains why after nine years of painstaking discussion and public shouting matches, the US and Latin American countries have not even agreed on what issues to include in the FTAA negotiating agenda. Brazil, which leads the South American group in the negotiations, wants the US to open its markets to Latin American agricultural goods. The US, in turn, wants Latin America to open its market to US computer goods, to respect intellectual property rights and to allow US companies to participate freely in services and government procurement. These are the two extremes of the spectrum, while trapped in the middle are Central American, Caribbean and some Andean countries with a different agenda.

Rather than aiming at the region-wide and comprehensive free trade deal that was envisioned at the 1994 Summit of the Americas in Miami, the ministers of trade agreed in Miami in November 2003 to produce a two-tiered process, which leads to an anorexic FTAA. Moreover, the last Summit

of the Americas held in Mar del Plata in November 2005 concluded without a clear agreement on when and how to resume stalled talks aimed at achieving the FTAA. In essence, Mercosur countries plus Venezuela, which do not see much to benefit them in the current US trade offer, argued that the conditions to achieve the free trade agreement are not symmetrical. Meanwhile, enthusiastic countries such as Colombia, Ecuador or Peru are negotiating more comprehensive, bilateral deals such as the one signed recently between the US and the Central American Countries plus the Dominican Republic, known as the US-Central American Free Trade Agreement (CAFTA-DR). Each bilateral agreement is an effort by the Latin American countries to gain preferential treatment for their trade, and viewed this way, is also a sort of beg-thy-neighbor policy, as was used in the 1930s.

Coalition building is not present in the bilateral negotiations that are currently the focus of the US drive. Faced with the overwhelming resources and the sheer economic might of the US, the agreements are driven by the developed countries' offensive interests and seem to be accepted by Caribbean, Central American and Andean countries in order to protect previous unbound and non-reciprocal preferential access. This is especially the case for the CAFTA which essentially guarantees the access granted under the Caribbean Basin Initiative, and the free trade areas under negotiation with the Andean countries which will replace the Andean Trade Preference Act. Much of this preferential access was concentrated in the textile sector.

Tussie and Quiliconi (2004) argued that this trend is coetaneous to the expiration of the elaborate quota system that has regulated trade of textiles and garments since the early 1960s and has lived under several guises since then. This expiration means that the textile sector in many Latin American countries will have to compete both at home and abroad with the previously controlled and restricted suppliers. In this sense, the race by Latin America towards PTAs with the US is driven by the fear of erosion of previous agreements and has focused on securing their foothold by using bilateral agreements. Hence the drive is mainly from microeconomic sectors and its strength depends on how the value chain is globally integrated. This usually implies an exchange of lower effective protection for key exports of Latin American countries for domestic regulatory reform and thus may seem a high price in terms of WTO-plus agreements.

Bilateral and hemispheric negotiations are driven by two opposite, but in the end complementary forces. On one hand, from the developing countries perspective, the opportunity of gaining access to textile and foodstuff markets, on the other hand, from the US perspective, the opportunity of obtaining a WTO-plus regulatory setting for intellectual property rights, investments and service provision.

The US-CAFTA negotiations also illustrate the manner in which these agreements are being concluded. The entire process of negotiation was very fast and it took less than a year, limiting the possibility of adequate analysis by government and/or the civil society groups. Moreover, at the beginning of the negotiations the US demanded that all parties sign a confidentiality agreement. In this sense, negotiators could not even reveal the agenda of meetings without the unanimous consent of all negotiating teams—giving any one country a veto over what information was released. Of course this strategy is to avoid the resistance of civil society to the FTAA. This tactic is very important in a scenario in which the anti-globalization and anti-Americanism sentiment is growing in the popular masses of the region, particularly after the failure of the Washington consensus policies.

The Bush administration's renewed push for bilateral agreements reopens the debate over the benefits of free trade. Zoellick, the US Trade Representative, has advocated the Mexican experience since the country signed the NAFTA in 1994, highlighting that Mexico has become US's second largest trading partner and its export growth accounts for half of the 3.5 million new Mexican jobs created since NAFTA was implemented. Nonetheless, skeptics have pointed out that free trade has not enabled Mexico to keep pace with the growth of its work force and has failed to stem the tide of

Mexican immigration to the US. Moreover, Mexican critics of NAFTA point out that a flood of US corn and other crops has devastated Mexican agriculture, a sector in which nearly a fifth of all Mexicans work.

## 5. Anti-Americanism in the Region

So far, we have looked at the ways in which governments have reacted to the US hegemony in a government-led forum. In this section we shall shift the focus on civil society's opposition. The heightened impact of trade negotiations in the post-import substitution era has sown the seeds of domestic discontent and opposition. The anti-globalization movement has consolidated these new forms of participation and protest which were subsequently fuelled by fresh levels of anti-American sentiment as positions hardened in the context of the war on terrorism following the events of 9/11 and the rising risks of a full scale US-led war in the Middle East.

The 2003 Latin American poll made by Zogby International showed that there is almost universal dislike of President Bush in the region. In turn, a 2003 Latinobarometro poll showed that 87% of Latin America rated Bush negatively. Moreover, the percentage of Latin Americans who have a negative image of the US has more than doubled, from 14% in 2000 to 31% in 2003. Sixty percent of Latin Americans still have a positive view of the US, but that percentage was 71% in 2000. In key countries such as Mexico the level of anti-Americanism is high (58% have a negative image of the US, raised from 22% in 2000). In other Latin American countries the percentage of people with a negative view of the US reached 62% in Argentina, 42% in Brazil and 37% in Chile in 2003 (Latinobarometro, 2003).<sup>1</sup>

However, the most recent Latinobarometro poll carried out in 2005 shows that almost everywhere, opinions towards the US are thawing, though they are yet to reach the warmth of the late 1990s. There are two exceptions. One is Venezuela, where President Chávez accuses the US of planning to invade his country. The other is Uruguay, where a left-wing government took power this year. The most anti-American country remains Argentina. In many other countries, respondents thought that relations with the US were becoming closer. That may be due to the fact that the memory of the Iraqi war, which was very unpopular in the region, is fading. Central America, with which the US enacted a free-trade agreement this year, is the most pro-American part of the region (The Economist, 2005).

The exhaustion of the neo-liberal model in Latin America has shown mixed characteristics. First, the decline of the model since the second half of the 1990s reversed the strong influence of neo-liberal policies in the region, and at the same time put into question the strong influence that the US has been exercising in Latin America from the beginning of the dictatorships. The "spectacular" failure of the model in its best student, Argentina, has played a key role in this sense. As we can observe from the data, Argentina, followed by Mexico, is the country in which the negative view of the US is highest. Argentina, along with Brazil and Venezuela, has become the center of resistance to the US. South American leaders are standing up to the US: Argentine president Nestor Kirchner, Brazilian President Luiz Inacio Lula de Silva and Venezuelan President Hugo Chavez have been openly hostile to Washington. Kirchner has imposed a hard negotiation style with the US and the IFIs, resisting US pressure to negotiate better pay-outs for holders of the country's defaulted bonds. Meanwhile, Lula da Silva is determined to be a counterweight to the US in trade issues, especially in the FTAA

<sup>1</sup> Based on a poll of 18,600 people in 17 Latin American countries.



negotiations. Chavez, in turn, has openly challenged the US and even accused it of helping his opponents attempt to oust him from power.

Most leftist parties and social movements in the region celebrated Chavez's victory in Venezuela's referendum as the prelude to an upcoming chain reaction of anti-American and anti-free trade "revolutions" in Latin America. A quick look at Venezuela's neighboring governments shows that the Venezuelan anti-capitalist strategy is highly unlikely to be adopted by other governments in the region. In Colombia, US-backed President Alvaro Uribe, who has a 75% approval rating, is preparing to sign a free trade agreement with the US. Peru and Ecuador are following in Colombia's footsteps. Former Ecuadorian President Lucio Gutiérrez, who is a former leftist coup plotter and subsequently won the election, said in an interview during a visit to Guayaquil shortly after the Venezuelan referendum that since the FTAA is taking longer to materialize than originally thought, Ecuador has decided to seek a bilateral trade agreement with Washington. Indeed, as seen from Ecuador's perspective, Mexico and Chile already have free trade agreements with the US, five other Central American countries have just signed one, and Colombia and Peru may soon have their own bilateral deals. Unless Ecuador joins them, it will be unable to compete with them in exporting its goods duty-free to the richest single market in the world (The Miami Herald, 2004). However, in April 2005, Ecuador's president, who had close economic relations with the US, was forced out of power amidst rioting and violent social protests.

There is a peculiar situation currently in most Latin American countries. There is a weakness and even rejection of the neo-liberal ideology supported by the US in the spheres of culture, public and political awareness, yet at the same time, a certain persistence of the neo-liberal ideology in the policy makers (particularly in the ministries of finance and economy, presidents of the central banks and political leadership) sometimes hidden by a more populist sounding speech (Boron, 2004).

The US war on terrorism and Washington's quest for regime change in Iraq have revived even more anti-American sentiment in Latin America, there are daily condemnations of the war by many Latin American governments without criticizing Iraq's UN violations. President Bush particularly is the target of blame and the most affected in terms of image as shown in Latinobarometro polls.

There is another factor adding fuel to the fire of anti-Americanism in the western hemisphere. As a result of a global economic meltdown, poverty and hunger are reaching overwhelming new levels throughout Latin America. After a decade of experimenting with American free market reforms, Latin American nations are becoming very disillusioned with the process. Nations that once were racing to accept American-style democracy and economic values are waking up to the reality that it has not worked for many of them.

The neo-liberal policies are still in place and in some Latin American countries they have been even deepened, but in contrast to the situation in the 1980s and 1990s, the support from the civil society has disappeared. The threat of another economic crisis, the country-risk, the runaway of capital, and the inflation ghost, have all played an important role in establishing an aversion-to-risk mindset in the Latin American civil society that formerly embraced the neo-liberal reforms without much resistance.

The economic failure of the Washington consensus policies deepened the contradiction of the triangle of democracy, poverty and inequality in Latin American countries. Onto the scene appeared new players with a different pattern of political participation. Boron (2004) characterized the reasons for the irruption of these new players in the following way. First, the economic failure intensified the contradictions of the social and economic policies. Second, the emergence of new-left political expressions is directly related with the failure of the neo-liberal policies and the frustration of the democratic regimes in the region. While the implementation of neo-liberal policies under the new democratic regimes were supposed to produce sustainable economic growth, poverty reduction and

less inequality, the results were exactly the opposite. Third, Latin American countries also experienced a political representation crisis; the new social protest showed the decline of populist and leftist parties and of the traditional models of trade unions. Fourth, the anti-globalization movement with high levels of Anti-American sentiment consolidated these new forms of participation and protest in which the leaders were neither political parties nor trade unions.

The economic failure of the neo-liberal model has resulted in important consequences to the new political movements building. New social players appeared in this scenario, such as the “*piqueteros* movements” in Argentina, formed by lower class unemployed workers, the small indebted farmers in Mexico grouped as “*El campo no aguanta mas*”, small farmers in Brazil, the young people and a variety of movements inspired by different identities, such as gender, ethnicity (for example, Indian movements in Bolivia, Ecuador and Mexico), language and sexual preference (Boron, 2004).

At the same time, the exhaustion of the neo-liberal model also generated the mobilization of middle classes, due to the impoverishing impact of the model upon them. The “*caserolazos*” in Argentina<sup>2</sup> against the banks’ expropriation of the middle class’ savings with government approval are a very concrete example that even fueled the destabilization of a democratic government to the point that the president had to resign. However, there are other examples of middle class mobilization, for instance, the physicians and health workers in El Salvador, the groups mobilized for the “*Guerra del agua*” in Cochabamba and the resistance to the privatization policies in Arequipa, Peru.

Social resistance was not only focused on the implementation of the Washington consensus policies at the domestic level, but also heterogeneous civil society players gathered transnational networks and coalitions to resist US free trade initiatives in the hemisphere. These networks and coalitions started to demand participation and they began to exercise their voice in regional integration processes, particularly in the FTAA. However, states, domestic institutional arrangements, and international organizations helped in certain cases with the cross-border organization and functioning of these new movements (Smith and Korzeniewicz, 2002). State elites and multilateral institutions helped certain well-established transnational networks and coalitions to participate in the Summits of the Americas and the FTAA meetings. In this case, these organizations were able to work “closely with the official process (of hemispheric negotiations), sometimes compromising their demands so as to make them politically viable” (Pages, 2000: 172). These kinds of officially involved organizations are called “insiders”. They simply move to make the summits an important part of their concerns and seek to create new channels or take advantage of existing channels of dialogue with hemispheric governments. The most active civil society organizations in this process include the Esquel Foundation (US), the Canadian Foundation for the Americas (FOCAL), the Corporación Participa (Chile), the North-South Center (US), the Inter-American Dialogue (US), and the Fundación Futuro Latinoamericano (Ecuador). The dominant modality of collective action in these transnational networks is information exchange, with relatively limited capacity for the deployment of coordinated strategy and tactics (Khagram, Riker, and Sikkink, 2002).

<sup>2</sup> “*Caserolazos*” are spontaneous demonstrations in which people bang on empty pots and pans symbolizing their inability to purchase food. In Buenos Aires the *caserolazos* usually took place on Fridays at the historic Plaza de Mayo, the site of the presidential palace and the national congress. Many participate under the banners of the neighborhood where they live and gather in popular assemblies. Most of these assemblies became autonomous centers of community participation for a wide range of individuals and groups that include the unemployed, trade unionists, human rights organizations and smaller political parties. Middle class Argentines participated in spontaneous demonstrations; they were small but very vigorous, bitter protests against the banks. In this case, the demonstrators often wore business suits, smashed bank windows, and spray-painted on bank walls. There was about \$20 billion on deposit in long-term bank savings belonging to individuals. Many of these were in dollars. At first these accounts were frozen, but later the transitional government agreed to start repaying these accounts in 18 monthly installments in the national currency, which was devalued by around 300%.

In contrast, “outsider organizations”, the ones that are neither officially involved in the summit process nor have close ties to the governments, compose a transnational social movement whose dominant form of collective action is focused on organizing joint mobilization across national boundaries and they usually gather activists who are committed to challenging the prevailing social order (McAdam, 1996; Khagram, Riker, and Sikkink, 2002). Outsider organizations “exercise external pressure, articulating their demands in a more explicit manner and often against governmental positions” (Pages, 2000: 9). One of the most important “outsider” networks officially organized in 1999 is the Hemispheric Social Alliance (HAS). The origin of this network is from the widespread popular opposition by organized labor, environmentalist and human rights activists and other groups that began to establish links among themselves in order to oppose NAFTA. Domestic groups in Canada, Mexico and the US began to build transnational coalitions in opposition to the discussions dominated by governmental officials. The HSA is a mega network that gathers local and national NGO networks, trade unions federations and grassroots groups. The HSA is, according to its own definition, an open space for organizations and movements interested in changing the policies of hemispheric integration and promoting social justice in the Americas. The initiative to create the HSA appeared in a May 1997 meeting held parallel to the FTAA Trade Ministerial in Belo Horizonte, Brazil. In April 1999, the Alliance was formally constituted, and a Secretariat was established at the Mexican Action Network on Free Trade (Red Mexicana de Acción Frente al Libre Comercio, RMALC) in Mexico City. In addition to RMALC, members of the HSA Coordinating Committee include: Common Frontiers, Canada; Iniciativa Civil para la Integración Centroamericana (ICIC); Réseau Québécois sur l’Intégration Continentale (RQIC), Québec; Alliance for Responsible Trade, US; Congreso Latinoamericano de Organizaciones Campesinas (CLOC); Red Brasileña para la Integración de los Pueblos (REBRIP); and Organización Regional Interamericana de Trabajadores (ORIT). The three most active and well-organized core members are: the US-based Alliance for Responsible Trade (ART), which operates with significant financial support from organized labor to advance a “progressive internationalist” position on trade, labor rights, and globalization; the RMALC, which coordinates the efforts of Mexican unions and labor activists with their US and Canadian counterparts and whose extensive transnational links now encompass Latin American, European, and Asian networks working on issues of trade liberalization and globalization; and *Common Frontiers*, a multi-sectoral Canadian network that grew out of the popular opposition movement to the Canada-US Free Trade Agreement and to NAFTA. In addition, organized labor in Brazil plays an important and growing role within the HAS (Smith and Korzeniewicz, 2002 and Tussie, 2005).

The HSA is an issue-based alliance<sup>3</sup>; it was formed for the instrumental reason of opposing the consolidation of the FTAA and is directed to that specific threat. Its main slogan: “No to the FTAA. Another world is possible!” shows the limited network capacity to propose alternative recommendations for the FTAA negotiations. In this sense, the main objective of the network is to stop negotiations. The HAS prepared a widely distributed policy document, the so-called ‘Alternatives for the Americas’, but instead of suggesting alternative technical views for the FTAA negotiating topics, the document simply emphasizes the Alliance opposition to the neo-liberal version of the free

<sup>3</sup> State-led trade coalitions may be classified into two types: bloc-type coalitions and issue-based alliances. The two may be seen as representing the opposite ends of a spectrum. There are two key differences between the bloc-type coalitions and issue-based alliances. First, the former come together against a backdrop of ideational and identity-related factors, whereas the latter are formed for instrumental reasons. Second, the bloc-type coalitions combine like-minded states to try to adopt collective positions across issue areas and over time; in contrast, issue-based coalitions are directed towards specific threats and dissipate after the particular issue has been addressed (Tussie, 2005).

trade integration. The documents lack technical proposals and only proclaim that the objective of the FTAA should be fair trade instead of free trade. The core of the document is focused on the benefits that trade agreements should bring to the hemisphere but it has no strategic proposals about the technical ways to achieve such fair trade.

The main objective of this network then became the organizing of mass mobilizations throughout the Americas in opposition to the FTAA and also the initiating of parallel meetings to the Summit of the Americas called the “Peoples’ Summits”. The first Peoples’ Summit was held in Santiago, Chile, in April 1998 parallel to the official Summit of the Americas. The second Peoples’ Summit was held parallel to the Quebec Summit in 2001. As opposition to the FTAA hardened in the context of the failure of the Washington consensus policies and the ‘war on terrorism’ emerged, many ‘insider’ organizations experienced a mounting disenchantment and began to work with outsider organizations. This disenchantment will be difficult to reverse in time for the November 2005 Summit of the Americas scheduled in Mar del Plata which is expected to experience a high level of opposition from the HAS and many other civil society organizations.

In summary, the social legitimacy of the FTAA together with the influence of the US has been called into question. Such misgivings concur with a context in which many countries within the region have, in recent years, elected left-leaning governments, with the potential for a greater receptivity to the concerns and claims being articulated by civil society groups and social movements (Tussie, 2005). The emerging alliance forged between Lula da Silva in Brazil, Chavez in Venezuela, Kirchner in Argentina and Tabaré Vazquez in Uruguay suggest an interesting configuration in which agendas advanced by groups resisting the FTAA are accepted and to some extent articulated by governments.

## 6. Some Speculative Scenarios

The decision to create the FTAA was a major decision in cementing the US hegemonic presence in Latin America. However, the defining moment in US-Latin American relations arrived on September 11, 2001, after which the US decided to devote all of its resources to the Middle East and turned its back on its hemisphere resulting in an obvious leadership vacuum in the region. Faced with a rapidly disintegrating trade scenario, several regional players decided to take matters into their own hands by beginning a discussion of regional integration. Mexico and Brazil began negotiating new agreements and enhancing old ones to secure leadership roles (*The National Interest*, 2003).

In the Southern Cone there are two blocs of countries. The first group’s members are Argentina, Brazil, and Paraguay who have had a relatively recent change in administration. In Argentina, the change in the administration was preceded by a long period of social unrest. In Brazil, the arrival of Lula da Silva to the government was part of building a more stable and sustainable social movement. Paraguay also experienced an important farmer mobilization before the change in administration. These governments came to power with the popular mandate of finishing the implementation of neo-liberal policies. They held anti-liberal speeches, yet at the same time, they came to power through heterogeneous electoral coalitions which play an important part in certain traditional political sectors and economic players that support neo-liberal policies (Algranati et al, 2004).

Chile and Uruguay are part of the second bloc of Southern countries. On the one hand, the neo-liberal Uruguayan administration of President Battle tried to accelerate privatization and intensify its alignment with US policies before the presidential elections that recently put a left-wing candidate for the first time in the presidency of the country. However, all the signals sent by Tabaré Vázquez, the new Uruguayan president, have shown that he will also be inclined to a free market economy. On the other hand, Chile possesses strong ties to the US and is the Southern Cone country with the lowest

level of social protest and the highest rate of economic growth. Chile gained notoriety in the region for having chosen not to fully join Mercosur and opted for the US as a trading partner. When relations with the US soured over Iraq, the Lagos administration opposed war, as did most Latin American countries, but its opposition was particularly detrimental to the US campaign for support because Chile, like Mexico, had at that time a seat on the UN Security council. In exchange the US-Chile bilateral Treaty ratification was inexplicably delayed in the Northern country, showing the way in which the US uses economic relations as a way of exercising hegemonic power.

Concentrated in the Andean area are a significant amount of conflicts characterized mainly by indigenous people and farmers movements, principally in Ecuador and Bolivia but also in Peru and Colombia. The social protests led by white collar workers from the public sector against the neo-liberal adjustment policies, the polarization that the Venezuelan process is experiencing and the popular unrest that forced the Bolivian government to resign and the new administration to make a commitment to discuss the energy policy through a referendum are key examples of the instability in the Andean region. In general, the public policies in the Andean countries have adopted an anti-neoliberal, Anti-American character. At the same time, the Andean region has become an area of attention for the US government, not only because of the change in administration and orientation in the Venezuelan government, but also because having finished negotiations with CAFTA and in the framework of the stagnation of the FTAA negotiations, the new bilateral agreement in the region is now under negotiation.

Following Bhagwati's (1984) ideas of power configurations and consequences of negotiations in the Americas, it is possible to delineate the following scenarios in US-Latin American relations:

### 6.1 Virtual Dominance of the US through Bilateralism

This is one end of the spectrum. In this view the South has no bargaining power at all or has restricted itself. It is likely that this scenario will catalyze if the trend of signing bilateral agreements with the US becomes widespread across the Caribbean, Central American, Andean and even South American countries. At a time when new coalitions appear to be shifting the balance of power in the WTO, regional negotiating processes could be simultaneously reinforcing the old inequalities. Moreover, the present generation of bilateral trade agreements could herald a new model insofar as they extend geographically beyond adjacent countries. Those agreements negotiated between the US and a myriad of Latin American countries reflect the imperative to push trade liberalization beyond adjacent regions, while avoiding the transaction costs of a WTO multilateral round of hemispheric negotiations.

By definition, interstate coalition building is not feasible when only two countries are engaged in negotiations. Bilateral agreements between some Latin American countries and the US appear to be driven by two opposite, but in the end, convergent forces. From the perspective of Latin American countries, PTAs offer an opportunity to gain additional access to highly regulated markets, such as textiles and foodstuffs, and lock-in discretionary preferential access. From the US perspective, the opportunity of obtaining a WTO-plus regulatory setting for intellectual property rights, investments and services provision holds out obvious advantages and asserts the primacy of market confidence over development and welfare goals. In this sense, bilateral trade agreements tend to overcome the absence of a minimal degree of international consensus to smooth problems of governance and compliance within the WTO.

## 6.2 US Hegemony Balanced by the Voice of Other Latin American Non-Hegemons

In this scenario the US dominating position implies a hegemonic role. A hegemon usually seeks stability, but the dominant ideology and its institutional structure cannot endure unless the non-hegemonic members accept its legitimacy. Baghwati (1984) pointed out that legitimacy is secured through incrementalist, gradualist and marginalist accommodation of non-hegemonic discontent. This would be possible if the US were to soften its position in some of the most controversial issues in the FTAA negotiations such as agriculture and market access. If the Southern dissent and discontent were pacified by making certain concessions, the consolidation of the FTAA could become a more realistic project. The heterogeneity of the countries that are part of the negotiations basically divides Latin America in two. On one hand, Central America and the Caribbean, having deep patterns of dependency on exports to the US market implies the possibility of secure market access to this country. However, most of these countries are keen on signing bilateral agreements with the US even though they will have to pay higher costs than with the FTAA negotiations. On the contrary, the Southern Cone, led by Mercosur, has the destination of its exports more diversified and in this sense is less dependent on market access to the US. Only through the implementation of a more balanced FTAA that takes into account developmental goals would the US be able to overcome the foot-dragging of South America's large countries which currently use the economic competition between the EU and the US to their advantage (Motta Veiga, 2003).

This scenario is almost impossible if we take into account the current paralysis of FTAA negotiations. As is widely known from the last Ministerial Meeting held in Miami in November 2003, the Ministers agreed in the Declaration that countries are allowed to assume different levels of commitment. The strategy consists of finding a common and equilibrated set of rights and obligations to apply to the 34 countries in the hemisphere; however, each country will be able to choose to agree to additional commitments. This strategy assumes a minimum common denominator in terms of commitments, but includes all the issues that have been negotiated in the FTAA so far. This is the so-called "light FTAA". This negotiation saved the wide divergence between Brazil and the US (both presently co-chairs of the FTAA) and left an agreement of varying speeds, indicating that the ambitious FTAA envisioned at the beginning of negotiations appears to be far out of reach. In this situation, the possibility of achieving a FTAA of mutual gains is very uncertain. This is particularly so because the US wants to negotiate a WTO-plus regulation for intellectual property rights and investment, while Brazil and other South American countries reject that position. In addition, Brazil and the other Mercosur members want to discuss the issue of agriculture subsidies in the FTAA agenda while the US is keen on discussing that topic only in the WTO in order to involve the EU in the discussion. Taking into account the paralysis that WTO negotiations are experiencing after the failure of the Cancun meeting, it is almost impossible to envision an FTAA able to secure mutual gains to both Latin America and the US simultaneously.

## 6.3 Latin American Strengthening

If the so-called South American Community finally achieves the objective of merging Mercosur and the Andean countries through a free trade agreement deepening and consolidating at the same time its individual customs unions, then the union of these sub-regional blocs could have the potential to challenge the US hegemony in the region. However, the most important obstacles that this initiative faces are the proliferation of bilateral agreements with the US since most Andean countries are currently negotiating with the US and the scarcity of trade flows within the region.

Brazil intends to lead this project that strengthens its leadership intentions in South America. The question is if Brazil is ready to put enough commitment into the Community to efficiently play the role of paymaster. At the same time, two antagonistic policies appear in the South American horizon. Chavez in Venezuela insists on the need of wealth distribution through the profits created by petroleum revenues. On the contrary, Lula da Silva in Brazil has a long-term vision focusing more on economic growth than just distribution. In this sense the South American Community does not appear as a challenge for the hegemon, because its success does not seem to crystallize in the short term. The initiative faces various problems, huge economic constraints, lack of institutional stability and widespread levels of corruption surrounded by the ghosts of the past that had signaled other similar, yet unsuccessful initiatives, such as the Latin American Integration Agreement (LAIA) and the Latin American Free Trade Agreement (LAFTA).

However, if the initiative makes progress it can challenge the foreign policy of the US focused currently in Iraq, and the consolidation of the South American Community could strengthen the trade flows between these countries with Europe, Asia and even other Southern countries such as India and South Africa thereby challenging the hegemonic role that the US has been playing in the hemisphere.

Even though left-wing governments are currently the majority in South America, most of them are open and respect market freedom. The Chilean president became the first good example for the US that socialism no longer means populism in the region. Washington still has some doubts about Kirchner, Lula da Silva and Tabaré Vázquez, and of course rejects the tactics of the Chavez administration in Venezuela, but the truth is that none of these is ready to challenge the US hegemonic tactics in the region.

## 7. Conclusion

Historically, governments ultimately determined the rules and regulations that would govern international economic transactions. However, their role is decreasing. Governments are super hubs because they are connected in some manner to all players but civil society has become a rising star after the failure of the Washington consensus policies in Latin America. The resurgence of resistance against US policies is guided by civil society groups seeking alternatives to these policies. Even though resistance from developing countries against policies imposed from the north is not a new phenomenon, during the 1990s and the beginning of the 21<sup>st</sup> century that resistance changed from a state-led centered approach, to a new dimension in which the role of states is not as central as it was in the past. Moreover, most of the revival in resistance to US hegemonic policies currently comes from civil society players. In this sense, NGO networks play a key role in the anti-globalization movement that question most of the Washington consensus and US hegemonic policies and have reshaped the world trading system.

Non-state domestic and international players play an active role in the hemispheric political scene. Even though the historical view on trade relations shows the development of the current structure of the world trading system as profoundly influenced by interactions between states, other powerful influences appeared from the civil society and put pressure not only at the domestic level but also in the regional, hemispheric and multilateral arenas. In this sense, it is important to highlight that even though states continue to lead FTAA negotiations and there is a weakness and even rejection of the neo-liberal ideology supported by the US in the spheres of culture, public and political awareness, neo-liberal ideology persists in the policymaking sphere sometimes undercover of populist speech. Brazil is a typical example of this attitude.

Brazil's engagement with regional integration needs to be understood in strategic and political terms, relating to the construction of sub-regional leadership as a means of mediating the hegemony of the US in the hemispheric and multilateral arenas (Phillips, 2003). The Brazilian indifference to regionalism in the mid-1990s has been replaced by an activism oriented toward strengthening the Brazilian leadership in the region. But at the same time, the reinforcement of Brazilian leadership in the region is seen with benevolent eyes in the US. In this sense, the US needs Brazil's cooperation to make progress on critical regional issues such as Venezuela's worsening political confrontation and Colombia's criminal violence and guerrilla warfare. At the same time, Brazil's voice also carries weight on broader international issues such as global trade negotiations and the struggle against AIDS. Lula da Silva has proven, as have most of the new left governments in the region, to be more pragmatic than ideological, a left-wing leader managing to keep support of diverse constituencies domestically and abroad. So far, trade and particularly FTAA negotiations have been the only issues to provoke open friction between the US and Brazil. They have been able to cooperate on difficult issues such as Venezuela and Colombia and have managed to swallow harsh rhetoric and avoid public quarrels on other issues, such as Cuba and the Iraq war (Hakim, 2004).

The FTAA ambitious plan described by President Bush as a "vital link for prosperity," is mired in disputes that have led to widespread skepticism and opposition about its chances of materializing from not only governmental sources but also civil society movements. With large countries in South America such as Brazil and Argentina firmly opposed to the initiative, the US has clearly redirected its efforts in the last two years from the FTAA to bilateral negotiations with a handful of smaller countries in Central America and the Andean region. However, looking farther South, the Andean nations of Bolivia and Ecuador, hit by violent tumult have little chance to sign a trade agreement anytime soon. Even Peru and Colombia, both having good relations with the US, are experiencing opposition in bilateral negotiations with the US, hesitating because of concerns that their farming sectors may be negatively affected by subsidized American imports.

After more than four years of talks, the Bush administration's grand initiative in the hemisphere, the FTAA, and the many bilateral negotiations that they have proposed under the competitive liberalization strategy, have signed only Mexico and Chile as full partners. The free trade agenda is becoming a serious problem in Latin America. CAFTA countries are facing resistance to pass the US-CAFTA agreement through their Congresses, and negotiations with Andean countries are still shallow and not free of domestic resistance. Prospects were much more positive when President Bush was elected in his first term. Latin America was then declared a priority, and the administration began drumming up support for a tariff-free \$3.4 trillion trade bloc stretching from Alaska to Tierra del Fuego, comprising 823 million people. "Democratic freedoms cannot flourish unless our hemisphere also builds a prosperity whose benefits are widely shared. Open trade is an essential foundation for that prosperity and that possibility," President Bush told the Organization of American States in April 2001. The 9/11 attacks have caused a redirection of US priorities abroad in which the scope of engagement with Latin America has shrunk on almost every front except trade policy (Hakim, 2003). But increasingly, Latin American governments and particularly civil society view free trade with the US with suspicion. At the same time, after the failure of the Washington consensus policies the region shifted to left-wing governments and has become increasingly wary of the US's economic prescriptions as growth flagged and promises of prosperity vanished. The reasons for caution are numerous, from the potent anti-globalization movement that has swept South America, to practical concerns in many Latin American countries about what opening their markets to the US, the world's largest economy, would mean for their industries.

Ideology has also played a role, with Washington's leading antagonist in the region, President Hugo Chávez of Venezuela, calling the Bush administration's free trade agenda "the medicine of



death” more than just a backlash against market reforms and the perceived trade agenda of the US, Chávez has become a key element in the regional opposition to the US financing subversive movements in Latin America such as the MAS<sup>4</sup> (Movement Towards Socialism) in Bolivia and the communist narcoguerrillas in Colombia. In recent months, two governments that the US had hoped would sign free trade deals have collapsed in the wake of protests with a strong anti-globalization component. In April 2005, Ecuador’s president, Lucio Gutiérrez, who had close economic relations with the US, was forced out of power amidst riots and violent social protests. Then, in June 2005, in the middle of widespread social protests, Bolivia’s Congress accepted President Carlos Mesa’s resignation and subsequently appointed a new president, Eduardo Rodríguez, who faces the threat of more protests. In this scenario it is impossible to think that Bolivia can start talks to sign a FTA with the US. However, American officials have not given up, stating that most countries in the region should expect even more benefits by signing trade deals with the US. The American focus, for the time being, is to secure a trade pact with CAFTA-DR, in order to set the stage for talks with other countries.

The ratification of the US-CAFTA agreement is the key to continue momentum in the US move to sign bilateral FTAs in the region. Nonetheless, the American talks with the nations of the Andean countries, which started in May 2004, are meeting obstacles. In Colombia, the agriculture sector has lobbied against a free trade deal, claiming that stopping tariffs on American imports while the US maintains subsidies to its farmers would destroy Colombian agriculture. In Bolivia, the authorities worry about small but healthy industries like the country’s pharmaceutical sector. A free trade deal would extend patent protections on old American products, in effect phasing out the generic brands. The impact would not be immediate, but in the long term could result in the closing of these companies.

The interconnection between governments and civil society in the Americas is nowadays more sophisticated, showing that the trade regime has become a complex, multi-layered arena where social forces and contending political projects compete, a far cry from the simple manifestation of an uncontested hegemonic project for market-driven integration as initially mapped out by the US. In this scenario, the prospect of finishing a comprehensive, far-reaching agreement at the FTAA is very unlikely. Nowadays, a two level (hemispheric and bilateral) trade liberalization strategy is guiding the hemispheric trade agenda. In this scenario, the FTAA would probably just imply certain superficial commitments in all the topics under negotiation, meanwhile bilateral trade negotiations led by the US are blossoming and becoming the key to deepening liberalization commitments with Latin American countries.

Anti-Americanism in Latin America was first related to security issues but after the failure of the Washington consensus policies the root of this sentiment mainly originates from economic issues. Nonetheless, if we take into account that economic policy became much more explicitly linked to security policy (Higgott, 2004), it is not that anti-Americanism has changed its target, only that security issues are intertwined with economic issues and the US is exerting soft power through economic relations with security aims. Since 9/11, security has become a top priority, and the US has been criticized for growing distant and detached from the Latin American region, yet anti-

<sup>4</sup> *Movimiento al Socialismo* MAS originated in the *cocalero* movement. With the privatization of Bolivia’s mines in 1985, mass sackings forced former miners to join indigenous Aymara and Quechua peoples in growing coca for a living. In 1995, a congress of *cocaleros* voted to build a “political instrument” from which came Sovereignty of the Peoples (ASP), which would ultimately run in elections as MAS. Bolivians overwhelmingly rejecting their traditional political parties and led by the implacable foes of globalization and the US, converted the MAS into the country’s largest political party.

Americanism has resurfaced in the spheres of trade and economics, confirming the entrenchment between security and economic issues.

Hemispheric and bilateral US Free Trade Agreement proposals are closely connected to this country's global hegemony strategy. These new bilateral trade agreements proposed by the US are intertwined with the follow-up of the dissemination of the neo-liberal agenda. However, it is important to highlight that beyond the expansion of the neo-liberal agenda, the US interests in the region are related to security and democracy agendas. In this sense, the FTAA negotiations and the proliferation of bilateral agreements proposed by the US embed security-related strategies into broader trade and economic issues. Trade liberalization has become mixed with other causes, including the conflation of markets and political freedom under US leadership (Tussie, 2005). In essence, this was the universal projection of the American dream—a vision of economic plenty in the context of political freedom as expressed some decades later in the notion of a “free world”. Often a menace or an enemy was necessary to garner consensus on further liberalization. The spirit was re-embodied in the Trade Act of 2002:

“The expansion of international trade is vital to the national security of the US. Trade is critical to economic growth and strength of the US and its leadership in the world. Stable trading relationships promote security and prosperity. Trade Arrangements today serve the same purposes that security pacts played during the Cold War, binding nations together through a series of rights and obligations. Leadership by the US in international trade fosters open markets, democracy and peace throughout the world.” (US Trade Act of 2002: Title XXI).

As the US extends its power and influence abroad, the challenges multiply. What should be apparent is that as developmental values regain legitimacy, the trade arena has become a site of resistance where the weak or under-represented seek windows of opportunity to reshape rules and reduce pressure for policies they wish to evade or for which they want offsetting concessions. These challenges are not necessarily a general rejection of future cooperation at all times. As they grow in strength and stature, emerging players are investing in becoming technically empowered to resist, confront and shape a number of outcomes. Dealing with the US is less an exercise of helplessness than an exercise of accommodation where state and non-state players interact and feed off each other in a process whereby even though not organic, values become shared, rules gradually codified and all players are able to reinvent themselves.

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