Trade and Investment Dynamics in the Post-FTAA Environment: The Politics and Problems of Intra-Regional Co-operation in Latin America

By Terry Kading
Department of Philosophy, History and Politics
Thompson Rivers University

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Introduction

Over the last fifteen years there has been considerable debate and analysis as to the significance and benefits of the “new regionalism” in the Americas (Mercosur, NAFTA, Caricom, Andean Group, CACM), of which the effort to create the Free Trade Area of the Americas (FTAA) generated the most speculation.[1] Where there have been excellent analyses and comparisons of these various trade agreements as to their content, the negotiating strategies of the parties involved, and potential political and economic effects, this paper attempts to link the overall impact of these efforts to larger development goals in the region. It is argued that the various regional agreements to date have not addressed important developmental problems in the region, and that the FTAA (as part of a larger Summit of the Americas process) represented more than just another regional trade agreement, but was an important initiative in addressing a wide variety of economic, social and political issues in the Americas. The failure of this negotiating process, then, has left the nations of Latin America without a meaningful instrument to address the multiple problems of the region and placed them in a highly vulnerable and insecure position within the global economy, expressed in greater intra-regional tensions throughout the region. This paper will exam the placement of Latin America in the global economy, the prospects arising out of the Summit of the Americas process, and the dynamics and events that arose from this failed process.

Little concern in the North surrounded the failure to establish an agreement for the Free Trade Area of the Americas (FTAA) by the January 1st deadline of 2005, despite a last ditch effort at a meeting in Mexico to broker differences and meet the predetermined schedule. Subsequent meetings and the fourth Summit of the Americas in Argentina only served to confirm rather than overcome the impasse in reviving negotiations for the “mother of all free trade agreements,” which had been initiated at the first Summit of the Americas (Miami) in 1994 and formally launched at the second Summit of the Americas (Santiago) in 1998. Thus, over a decade of negotiating terms and

[1] Victor Bulmer-Thomas (ed.) *Regional Integration in Latin America and the Caribbean*. London: Institute of Latin American Studies, 2001. José Maria Salazar-Xirinachs and Maryse Roberts (eds.) *Toward Free Trade in the Americas*. Wahington: Brookings Institute, 2001. Louise Fawcett and Mónica Serrano (eds.) *Regionalism and Governance in the Americas*. New York: Palgrave, 2005. Antoni Estevadeordal, Dani Rodrik, Alan Taylor and Andrés Velasco (eds.) *Integrating the Americas: FTAA and Beyond*. Cambridge: Harvard University, 2004. Vinod Aggarwal, Ralph Espach, and Joseph Tuchin (eds.) *The Strategic Dynamics of Latin American Trade*. Stanford: Stanford University Press, 2004.

structures, and involving every major international and regional institution (OAS, IDB, World Bank, IMF, ILO) in a process of high summitry, had come to naught. More recent commentary has suggested that Latin America is striking out on its own, with: renewed economic growth over the last few years due to global demand for exports[2]; the election of centre-left presidential candidates (often in defiance of U.S. recommendations to the voting public); the clearing away of IMF debt obligations by Argentina and Brazil via financial backing from Venezuela; initiatives by South American nations to develop stronger linkages in energy and transportation; the addition of associate members to Mercosur with renewed talk of a South American trading bloc; and, the increased trade and investment links with China (which has raised 'alarm bells' in Washington).[3] Whether perceived as a reaction to having regional concerns repeatedly ignored by the present U.S. administration, or the U.S. intervening in areas where not desired, there is a sense that Latin America is becoming more defiant, breaking free of the constraints imposed by the debt crises of the 1980s and reasserting a more independent global course comprised of new external linkages and cross-border initiatives.[4] Viewed from within the confines of recent Latin American history these events appear as a positive regional development,[5] however, when viewed from within a larger global context the region exhibits many troubling features.

Behind these more positive regional indicators of late lay a range of structural problems pertaining to how Latin America remains positioned within the international political economy, and the distribution of benefits within Latin America from this particular placement in the global economy. The two main features that comprise this examination concern the types of trade relations the region is engaged in with the global economy and the opportunities for meaningful investment that arise from interactions in

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[2] Jane Bussey, "Export prices spur GDP Growth," *Miami Herald*, August 6, 2004 (from ISLA, #4197); Jane Bussey, "Outlook bullish for Latin America," *Miami Herald*, Dec. 16, 2004 (from ISLA, #6097)

[3] Mary O'Grady, "The Middle Kingdom in Latin America," *Wall Street Journal*, Sept. 3, 2004 (from ISLA, #4656); Richard Lapper, "Latin America dances to the China beat," *FT*, Nov. 11, 2004 (from ISLA, #5636); Pablo Bachelet, "China's Latin influence is growing, general says," *Miami Herald*, March 10, 2005 (from ISLA, #1480)

[4] Andres Oppenheimer, "Chinese President upstaging Bush in South America," *Miami Herald*, Nov. 18, 2004 (from ISLA, #5639); Tariq Ali, "A Beacon of Hope for the Rebirth of Bolivar's Dream," *The Guardian*, Nov. 9, 2006

[5] Noam Chomsky, "Latin America Declares Independence," International Herald Tribune, Oct. 3, 2006; Noam Chomsky, "Latin America and Asia are at last breaking free of Washington's grip," *The Guardian*, March 15, 2006

the global economy ("foreign direct investment" versus "portfolio investment" or the controversial "hot money" of the global economy). The more positive economic indicators have largely been driven by the dramatic rise in the global demand for oil and mineral resources (fueled by the continuing expansion of the Asian economies, notably India and China). Within Latin America, though, the benefits of this global demand are played out in a highly unequal manner, favoring a select group of nations over others.[6] This feature tends to be further evident with respect to foreign direct investment (FDI), which remains consistently targeted towards Mexico and Brazil over the rest of the region. Further, the region as a whole remains largely stagnant as a percentage share of the global market in trade and investment despite some 20 years of market reforms and a plethora of free trade agreements (bilateral and regional).[7] As a consequence of these trends and inequities, it is argued in this paper that what is most evident in Latin America in the post-FTAA environment is an intensive and competitive scramble for investment opportunities (public/private) by the numerous smaller countries/economies of Latin America in light of the lost prospects from the failed Summit of the Americas/FTAA negotiations. Weak regional trade agreements and political pressures from citizens mixed with continuing economic volatility further limit the prospects for investment opportunities (foreign or domestic).[8] Rather than a "regional revival" then, what is more evident are increasing economic and political difficulties within Latin America in which the numerous smaller nations of Latin America find themselves more isolated than before, a result of the collapsed FTAA/Summit of the America process.[9]

The Summit Process/FTAA negotiations from 1994-2005 had provided the first coordinated hemispheric project extending the possibilities for new public and private sector investment to address a variety of regional concerns. In this respect, the Summit process generated a model of development through hemispheric negotiations, a process that served to contain numerous intra-regional tensions with the prospect of new sources of investment generated by closer links to the United States and Canada. With the demise

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[6] John Lyons, "Oil fuels Latin American binge," *WSJ*, Nov. 16, 2004 (from ISLA, #5645)
[7] Jane Bussey, "Region's share of pie shrinking," *Miami Herald*, April 13, 2006 (from ISLA, #1728)
[8] Jack Chang and Pablo Bachelet, "Regional growth exposes volatility," *Miami Herald*, April 23, 2006 (from ISLA, #2198)
[9] Andres Oppenheimer, "Latin economic growth may be temporary," *Miami Herald*, Dec. 19, 2004 (from ISLA, #6099)

of this framework, Latin America was left without an effective forum to address common problems of development. The horizon on addressing problems of development in the region devolved back to the national level revealing the limited capacities and opportunities of many nations. The resulting rash of new bilateral agreements with the United States and ongoing intra-regional disputes are evidence of this competitive scramble for investment opportunities to address long-standing problems of growth and development.

The Politics of Trade and Investment in the Global Economy

The dynamics of global trade and investment are played out in a highly unequal manner in the international economy, in which particular nations and regions enjoy considerable investment and opportunities in a given time period while others languish. The process of globalization has both revived global economic growth and exacerbated these investment inequalities between nations and regions. As is evident though, this is not an ordained process of the "invisible hand" at work, but a highly political process in which nation-states continuously alter internal conditions and establish external linkages to foster domestic economic activity and attract external investment. Despite the functioning of "market forces," government(s) play a central role in creating and perpetuating a particular context of investment, and depending on policies adopted may alter this context to stimulate and/or attract different types of investment, production and consumption.

There is little doubt that against the high expectations for the market reforms and open trade regimes that emerged in Latin America in the early 1990s, by the beginning of the 21st century the region had failed miserably in generating high and steady growth rates and fomenting a stable context that encouraged investment, both domestic and foreign.[10] While the pressure to introduce extensive market reforms came mainly from external pressure in response to the debt crisis of the 1980s, by the late 1980s and early 1990s, as growth rates returned to positive digits and debt maintenance became more manageable, political and economic elites became more supportive of the market reform

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[10] Jeffrey Sachs, "Region can reach farther for economic vibrancy," *Miami Herald*, July 6, 2004 (from ISLA, #3696)

agenda. In concert with more democratic practices, market reforms and trade liberalization became the main means to advance the future development of the region. Along with extensive privatizations of state assets across the region, the creation of multiple trade pacts and the reviving of defunct arrangements became the cornerstone of the new openness to the international economy. Yet, only a decade later, the majority of these effort were seen as failing to have achieved even the most basic macro-economic goals (steady growth, currency stability), let alone address the larger development problems (if not aggravating them).[11]

From a global perspective the benefits of Latin America in the early to mid-1990s appeared self-evident. The region seemed well-placed to benefit significantly from a revived global economy and the unprecedented movement of foreign direct investment and technology. The region remained rich (if not the richest) in every conceivable mineral resource with endless potential for processing and value-added production, and lands with great potential for agro-exports and food processing. In addition to vast reserves of oil, there were notable finds of natural gas and the development of hydro-electric power. With a rapidly expanding population of 500+ million coming out of the worst decade since the Great Depression there existed incredible potential to address substantial consumption needs and demands. High rates of unemployment and underemployment offered a demand for employment across the region and a wage environment conducive to attracting the dramatic shift in production platforms and outsourcing opportunities from Developed Nations made possible by the corporate desire to cut costs and maximize profits. In addition, the region was in close proximity to the most dynamic economy of the 1990s with long-established links in transportation to various parts of the United States (by air and sea), and several nations still had strong cultural and economic links to the European continent. Versus other Developing Regions, Latin America had an advanced education system with prominent universities and facilities to train qualified individuals in various emerging fields of the 1990s (banking, finance, economics, law, engineering) and the facilities to foster high-tech ventures. Ten

[11] "Central bank warns of economic turmoil," *Miami Herald*, August 4, 2004 (from ISLA, #4196); Pablo Bachelet, "IMF: Strong institutions key in preventing crises," *Miami Herald*, Feb. 9, 2005 (from ISLA, # 971); Juan Forero, "Latin America Fails to Deliver on Basic Needs," *NYT*, Feb. 22, 2005 (from ISLA, #972)

years later the results were depressingly evident, with poverty rates stubbornly constant (at some 45-50% of the region's population), debt maintenance problems reemerging, negative growth rates in several nations, and fiscal instability and crises a common occurrence. In light of these results it is not surprising that there would begin to emerge a broad popular discontent to the "market reforms" of the 1990s with political expressions advancing a return to more protectionist and nationalistic alternatives, further complicating the economic and investment problems of the region. Perhaps the greatest irony of this situation is that in terms of global FDI, Latin America had lost out to China, a distant one-party Communist state that politically and geographically appeared to offer none of the advantages of Latin America during the 1990s.[12] In value-added manufacturing, Latin America had progressively lost market share to East Asia. By 2005 China's primary goods exports were only 9% of exports where they were 72% of Argentina's exports, 83% for Bolivia, 82% for Chile, 64% for Colombia, 88% for Ecuador, 87% for Venezuela, 78% for Peru, 66% for Uruguay, 66% for Costa Rica, and 52% for Brazil, while for China primary goods accounted for only 9% of exports.[13] What is evident is that despite the trade liberalization and new openness to foreign investment, the region as a whole had failed to create the requisite structures and dynamics to attract new types of value-added FDI while the global value of primary goods exports continued to decline as an overall percentage of global economic activity.

The success of China over Latin America in the competition for FDI rests with the inability of Latin America to present a stable regional context in which there were clearly defined forms of authority able to enforce legal and economic polices at a national and regional level with the capacity to respond to the needs of global and domestic investors. The multiple and weak nation-state forms evident in Latin America, with no single authority or agreed upon regional institutional body to coordinate or enforce investment rules, worked against the success of Latin America in attracting new forms of FDI. Thus, unlike China or India with large populations under a single, strong and stable legal regime and common economic policies, the Latin American context presented itself as a

[12] Marifeli Perez-Stable, "China offers opportunities, poses threat," *Miami Herald*, Feb. 17, 2005 (from ISLA, #981); Andres Oppenheimer, "China's development dwarfs Latin America's," *Miami Herald*, Feb. 20, 2005 (from ISLA, #982)

[13] Andres Oppenheimer, "U.N.: Latin America suffers from natural resources 'curse'," *Miami Herald*, Sept. 8, 2005 (from ISLA, # 3997)

region with multiple legal-economic regimes comprised of differing currencies of varied value and stability, differing rules of investment, and quite varied infrastructure and energy supply conditions. Even with the emergence of regional trade blocs in Latin America offering larger markets under common rules, each trade bloc offered a different set of rules, standards and oversight mechanisms. Efforts via bilateral, bi-regional or sectoral agreements to connect these regional trade blocs only served to further complicate legally and administratively an already confusing mix of arrangements, offering up what became know as a “spaghetti bowl” of trade and investment linkages by the 21st century.[14] Thus, despite the creation of more open trade blocs, what remained in place were numerous national markets of varying size as defined by specific currencies, banking systems and economic policies, and each nation with different trade and investment advantages based on the regional bloc and set of bilateral agreements each nation had with other nations or blocs in the region. In such a context, it is not surprising that the larger nations of Mexico and Brazil, with pre-existing advantages in population, infrastructure development and manufacturing and service capacity, consistently garnered the lion’s share of FDI directed to the region.

In addition, having refrained from the relinquishing of economic authority to new regional structures to co-ordinate and enforce economic policies, national politics continued to supersede regional constructs, in which the problems of macro-economic stability continued to plague the majority of nations, fomenting internal discontent, and further undermining the weak investment climate in place.[15] Whether the larger nations of Latin America (Mexico, Brazil, Argentina) or the smaller economies of the region, the earlier enthusiasm concerning the development prospects arising out of open trade and increased external linkages dissipated, replaced by increased political instability and revived debates over the (re)nationalization of important national assets (Ecuador, Bolivia, Venezuela, Argentina). By the beginning of the 21st century the political and economic profile of Latin America over the past decade was not a positive context for FDI. Unresolved civil conflicts remained in Mexico and Colombia, while new ones

[14] “The Spaghetti Bowl of Trade Liberalization,” *IADB: Latin American Economic Policies*, Vol. 19, 2002, p. 2
[15] Bill Nelson, “South America beset by ‘crisis after crisis,’” *Miami Herald*, Jan. 23, 2005 (from ISLA, #461)

emerged in Bolivia and Ecuador. Financial and economic instability had first hit Mexico, then Brazil, Argentina, Uruguay and Paraguay at the end of this period, undermining Mercosur. Social instability, most evident in high rates of criminality and lawlessness, inundated Mexico, Guatemala, El Salvador, Colombia, Venezuela and Brazil.[16] Political instability and crises were evident in Nicaragua, Ecuador, Bolivia, Peru, Venezuela, Argentina and Paraguay, and government policies had become more unpredictable regarding the past privatizations and the role of FDI investment in certain economic sectors.[17] In contrast to the largest recipients of FDI (China and India), the political and economic dynamics could not be more distinct.

In addition to the poor record on attracting foreign investment, the market reforms had failed to generate any significant benefits due to domestic investment (public or private), and tentative evidence suggests that the growth that did occur became monopolized and concentrated amongst the wealthiest sectors rather than spawning an entrepreneurial – consumer dynamic. High national interest rates as a means to contain inflation and/or attract more speculative investment to cover the costs of imports curtailed the possibility for a domestic economic revival based around small and medium-sized producers and consumer credit.[18] For instance, in 2004 bank rates for mortgages in Brazil started at 35-40%, Colombia at 17-19%, Mexico at 15-16%, and Argentina had but a tiny mortgage market (only Chile had reasonable rates of 5-8%).[19] Where novel government programs in micro-financing and targeted subsidization could have addressed these shortcomings while maintaining the macro-economic policies, the tendency was to direct state resources towards subsidizing the activities of already wealthy business interests in a singular effort to increase and diversify export levels or use resources for purchasing political support.[20] In addition, through existing assets and international connections the wealthiest interests were able to finance activities by borrowing abroad at much cheaper

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[16] Forrest Colburn, Latin America at the End of Politics. Princeton: Princeton University Press, 2002. p. 74-79; Andres Oppenheimer, "Latin economic growth may be temporary," *Miami Herald*, Dec. 19, 2004 (from ISLA, #6099)
[17] Editors, "Latin exuberance – investors should not ignore political risks," *FT*, Oct. 3, 2005 (from ISLA, #4465)
[18] Mark Weisbrot, "Economic failure, stagnation, social unrest," *Miami Herald*, Oct. 15, 2005 (from ISLA, #4463)
[19] "Mortgage Rates, Terms in Some Latin Nations," *Miami Herald*, July 4, 2004 (from ISLA, # 3697)
[20] Andres Oppenheimer, "Latin politicians subsidizing loyalty," *Miami Herald*, July 1, 2004 (from ISLA, #3680); Bob Davis, "Seeking Latin America Growth," *WSJ*, Feb. 28, 2005 (from ISLA, #973)

rates, maximizing their ability to capture much of the wealth generated by the increased export production and diversification that did take place. Thus, the linkages between government spending, global financing and domestic economic interests worked at the expense of developing and expanding the domestic market via easier credit and a greater diversity of producers, suppliers and consumers. In light of the limited gains in this regard, the political dynamics turned towards an increased rejection of "market reforms," introducing the very political instabilities that would further erode the prospects for foreign and domestic investment.

The failures in creating a more immediate and durable market dynamic could have been mitigated had government policies and public investments been targeted at overcoming limitations in public infrastructure and human resources, while establishing more effective regulatory bodies to strengthen the capacities of national governments. Where numerous initiatives were undertaken in this respect, the results reported of late have demonstrated at best mixed success in increasing the potential for becoming a region that supports investment. Bureaucratic and regulatory complexities in establishing a legitimate business enterprise with basic services have been reduced, but remain on average almost double in time and procedural steps to those of other regions.[21] On the other hand, tax policies remain almost "bizarre," where compliance by a medium-sized firm would involve paying 148% of annual profits in Brazil, 98% in Argentina, 80% in Uruguay, 75% in Colombia, 51% in Peru (Chile was 47% and Mexico 31%, comparable to China).[22] This encourages the common practice of tax evasion and the perception of the state as obstructionist or parasitic, rather than supportive of investment ventures.[23] Education systems remain poorly structured and financed, let alone reformed to address the opportunities of the global economy.[24] Most importantly, severe deficiencies exist in infrastructure of all types from air, road and rail links, limiting the effectiveness of all

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[21] Javier Santiso, *Latin America's Political Economy of the Possible*. Cambridge: MIT Press, 2006. p. 83-87.
[22] Andres Oppenheimer, "Sky-high taxation results in massive evasion," *Miami Herald*, Sept. 18, 2005 (from ISLA, #3999)
[23] Mary O'Grady, "Why Latin Nations Are Poor," *WSJ*, Nov. 25, 2005 (from ISLA, #4930)
[24] Andres Oppenheimer, "Latin America's challenge: learning how to compete," *Miami Herald*, Nov. 13, 2005 (from ISLA, #4928); Carlos Montaner, "Education a failure in most countries," *Miami Herald*, Jan. 4, 2005 (from ISLA, #483); Andres Oppenheimer, "Survey puts Latin American colleges among the worst," *Miami Herald*, March 13, 2005 (from ISLA, #1482)

political agreements on integration.[25] Energy generation and distribution varies greatly in price and availability throughout the region, remaining unequal, unpredictable and severely under funded.[26] Of significance, the perception of investors and corporations from outside the region is that Latin America ranks at the bottom as a preferred site of investment.[27] Viewed as not particularly “investment-friendly” with rising problems of crime, corruption and over-regulation (while Asia and Africa are seen as improving), little wonder that the FDI in Latin America remained concentrated in resource sectors and economic areas that allowed for monopolization and secure profits (such as utilities), versus manufacturing, services and other value-added enterprises requiring improved infrastructure, secure energy supplies and a local economic dynamic.

Of the nations of Latin America, only two have demonstrated some level of success with the challenges of a more open trading and investment environment – Chile and Costa Rica. Chile stands out for achieving the macro-economic stability that has eluded even the largest and more resource-rich and industrialized nations of the region,[28] but the limited size of the population along with extreme inequalities and a heavy reliance on primary goods exports (at 82% of exports) place some severe constraints on this nation. Nevertheless, gains in poverty reduction, educational standards, and investment and consumption opportunities cannot be ignored. Costa Rica, while limited by size and a high oil dependence, was by 1997 able to beat out Taiwan, Argentina, Brazil, Chile, Singapore, Mexico, Indonesia, Puerto Rico, Thailand, Korea and China for a massive Intel micro-processing investment that overnight altered the production and export profile of the nation and “shows the region’s potential to attract foreign investment into sectors that until then had been beyond its reach.”[29] The success of Costa Rica was related to a combination of a commitment to general education and infrastructure investments (not

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[25] William McQuillen, “Infrastructure is facing large funding problems,” *Miami Herald*, Sept. 1, 2005 (from ISLA, #3996); Raymond Colitt, “Direct air links a flight of fancy,” *FT*, April 13, 2005 (from ISLA, #1998); Marianne Fay and Mary Morrison, *Infrastructure in Latin America and the Caribbean: Recent Developments and Key Challenges*. Washington: The World Bank, 2005.

[26] Richard Lapper, “Investors boost Latin America,” *FT*, March 16, 2005 (from ISLA, #1462); Jack Chang, “Struggling to keep energy prices low,” Sept. 13, 2005 (from ISLA, #3983)

[27] Andres Oppenheimer, “Latin economic growth may be temporary,” *Miami Herald*, Dec. 19, 2004 (from ISLA, #6099)

[28] Javier Santiso, *Latin America’s Political Economy of the Possible*. Cambridge: MIT Press, 2006. p. 97-116.

[29] Daniel Lederman, William Maloney, and Luis Serven, *Lessons From NAFTA*. Washington: The World Bank, 2003. p. 294

grants and subsidies), and an active government role in addressing obstacles. The varied types of success of these two nations defy simplistic cultural explanations as to regional failings, or refrains that may suggest the need to just further deregulate and allow for more "market forces" as the solution. Similar smaller successes in administrative reform or infrastructure development exist throughout the region, but this assortment of initiatives is not generating regional success nor keeping up with trends in other regions.

The overall disappointing regional results of over a decade of market reforms and open trade have left a gloomy prognosis. A recent report by the U.S. National Intelligence Council suggested that due to government ineffectiveness, Latin America "will continue to have a hard time benefiting from its piecemeal integration into the global economy," while a report by the European Parliament observed that the credibility of the political elite is low and that "backwardness can be blamed on an elite which is more concerned with itself than society."[30] The reports combined envisioned a widening gap between Latin America and advanced nations in technology, education and infrastructure, and a continuing loss of global influence by the region in terms of trade and investment. It was these very concerns by Latin American leaders in the early 1990s that had inspired the Summit of the Americas process and regional aspirations that a combined effort across the Americas could reverse such negative trends.

The Summit of the Americas Process / FTAA as "Development Project"

Within the literature on Latin American development the Summit of the Americas process of negotiations from 1994 to 2005 (see Appenix I) had been largely unexamined in content, significance and lasting effects, even though it was viewed by the majority of leaders of the Americas as holding out the best prospect for establishing the necessary investment climate to revive the potential of the region.[31] The reasons for this marginalization within the development literature arose from several factors, ranging from what the Summit Process was perceived to be about, to predetermined negative

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[30] Andres Oppenheimer, "Reports see Latin American influence falling," *Miami Herald*, Jan. 16, 2005 (from ISLA, #451)

[31] John W. Sherman. *Latin America in Crisis*. Boulder: Westview Press, 2000. Robert Gwynne and Cristóbal Kay (eds.) *Latin America Transformed: Globalization and Modernity (2nd ed.)*. London: Arnold, 2004. Duncan Green, *Silent Revolution (2nd ed.)*. New York: Monthly Review Press, 2003. Harry Vanden and Gary Prevost (eds.) *Politics of Latin America: The Power Game*. New York: Oxford University Press, 2002. James Petras and Henry Veltmeyer, *System In Crisis*. New York: Zed Books, 2003.

impressions of the United States' role in the region (and globalization in general), to a cynicism concerning what could actually be done to address the multiple and expanding problems in the region. Where the 1980s had been characterized as the "lost decade of development" for Latin America due to the debt crisis, observers were quick to point out the hubris and futility of ill-defined "market reforms" as a developmental panacea. Thus, by the late 1990s John Sherman could confidently claim that "Latin America has entered an era of crisis without an end in sight" and "from which, at least for the foreseeable future, there is no escape,"[32] even before the Brazilian fiscal crisis that would plunge Argentina, Uruguay and Paraguay into prolonged economic crises. With the discrediting of post-war models of development based on extensive state intervention and guidance, and the "market reforms" of the 1990s registering few benefits, the debate on a meaningful development model for the nations of the region had become exhausted. Neo-structuralist policy prescriptions to balance growth with equity (and based around the Chilean experience) appeared limited without new financial resources and the minimal success in addressing inequalities in Chile. Vague references to the need for a manufacturing base, some successes with grassroots micro-projects, or hopes that "new social agents" and voters would force some undefined changes in national policies expressed the rather depressing range of options into the 21st century.

With the Summit of the Americas process viewed primarily as an extension of the existing and failing market reform agenda (or NAFTA+), there was little reason to suggest or imagine that more extensive "free trade" would address any of the most pressing issues of the region, especially in conjunction with the United States. The history of U.S.-Latin America relations further supported a negative prognosis as to what could be expected from the Summit process. Oscillating between benign neglect at best, to more often interventionist and divisive policies, the assumption was that past U.S. "engagement" with the region had done more to undermine democratic aspirations and national economic development. Thus, for some observers the Summit Process and FTAA was just an extension of past U.S. policies in the region, serving only to fortify and enhance existing U.S. economic and financial advantages in the region as part of a larger global strategy. Debates over development in Latin America had long supported

[32] Ibid., p. 173.

state-centred and autonomous forms of development from within the region, while being suspicious of foreign or externally imposed models (the latest "market model" highly reminiscent of the Latin American experience in the late 1800s / early 20th century). This left little room for optimism in anything significant arising from a Summit process dominated by negotiations over the Free Trade Area of the Americas.

In marked contrast to the dearth in proposals for addressing Latin America's development problems, the emerging critical literature on the process of "globalization" had advanced to proposing particular international instruments to address a variety of instabilities and North-South inequities revealed by events and trends in the international economy.[33] Recognizing that several financial and technological processes had advanced beyond the scope of meaningful national regulation (irrespective of a nation's weight in the global economy) or existing global institutions (World Bank, IMF, WTO), the need for a new regulatory environment was advanced to expand the benefits of the global economic growth of the 1990s. Concerned with the return to protectionist or nationalistic policies that may dampen or jeopardize the positive dynamics of global investment and production due to persistent inequalities and financial crises, specific proposals were advanced to mitigate the worst features of globalization while maintaining global linkages. These proposals for international bodies to oversee and regulate the new global dynamics expressed the need for novel forms of political authority to be agreed upon, akin to the former project at Bretton Woods. It was at this political level that the Summit of the Americas process may be understood as the first major attempt to create a hemispheric architecture to address the peculiar needs and dynamics of the Americas.

Understood as an "institutionalized set of meetings at the highest level of government decision-making in the Western Hemisphere" with the purpose to "seek solutions to problems shared by all countries of the Americas, be they economic, social, military, or political in nature," the emphasis of the Summit Process was on moving from

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[33] Paul Hirst and Grahame Thompson, *Globalization in Question (2nd ed.)*, Cambridge: Polity Press, 1999. David Held, *Models of Democracy (2nd ed.)*. Stanford: Stanford University Press, 1996. Philippe Legrain, *Open World: The Truth About Globalisation*. London: Abacus, 2002. Gavin Kitching, *Seeking Social Justice Through Globalization: Escaping a Nationalist Perspective*. University Park: Pennsylvania State University Press, 2001.

just "words" to "deeds" in achieving goals in a variety of agreed upon subject areas.[34] What the process of summitry in the Americas revealed early on was the extent to which government officials across Latin America and the Caribbean recognized the major impediments to the process of introducing market reforms and creating a successful investment climate. These impediments ranged from weak and ineffectual state institutions and state capacities to problems in infrastructure, research and development, energy security, education, healthcare, and support for small businesses and micro-enterprises (see Appendix I). Over the course of the summits from Miami (1994), Santiago (1998) to Quebec City (2001) detailed information was acquired from a variety of sources in an effort to inventory, define, and establish specific measures to address the multiple problems that confronted the region. By 2001 considerable gains had been made in elaborating detailed goals and plans in specific subject areas with financial and technological commitments, notably in the areas of judicial reform, support for civil society, infrastructure, an "enabling economic environment," aspects of migration (issue of remittances) and healthcare (communicable diseases), and education (see Appendix II). Notable weaknesses remained in the area of "economic and financial stability" where, other than promoting "strong and sustainable growth," no detailed consensus existed on means to address ongoing currency instability in the region and propose measures to ensure greater long-term stability. However, a recognition that debts constituted a major constraint on investment and the need for greater development financing established, for the first time since the emergence of the debt crisis (early 1980s), that debt was an ongoing regional concern and not just a national issue to be addressed on a case by case basis. One may also note some recognition that the IMF had failed to adequately oversee the regulation and prevention of recurring financial crises and debt problems. In several areas though, there were new lines of communication, cooperation and co-ordination across the Americas, establishing the goals and financing for improved transportation infrastructure, telecommunications networks, and energy distribution (including the ideal of a common electrical grid from Canada to Chile). Other efforts in strengthening state institutions and capacities focused on transferring "best practices" and new technologies

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[34] "The Summit Process," *Summit of the Americas Information Network*, available at www.summit-americas.org/ Summit-Papers

from North to South in promoting better administration of government services and oversight on national activities. In a relatively short period of time the numerous limitations and restrictions on more equitable growth had been identified, and a regional perspective adopted in tackling these shortcomings.[35] These mandates were seen as necessary preparations if the nations of Latin America were to fully benefit from the implementation of the Free Trade Area of the Americas by 2005, an agreement that would attract FDI to the region on a sustained basis. Increasing and equalizing the flows of this FDI through broader structural measures and reforms were a priority of negotiations.

The negotiations over the FTAA garnered the majority of media and critical attention from the adoption of the negotiating framework at Santiago (the San Jose Declaration) to the collapse in 2005 (see Appendix III). The ultimate demise of the process was less over the actual terms under negotiation but more about issues related to the larger Summit (noted above) and specific regional power politics by the larger nations outside of issues related to the FTAA (as will be discussed later). Prior to 1998 the Central American and Caribbean nations had already initiated free trade or preferential trade agreements with the United States in response to the trade and investment effects of NAFTA, and Chile, Peru, and Colombia had expressed an interest in either bilateral free trade agreements with the United States or coverage under NAFTA. The unanimous support for the FTAA negotiating process from 1998 to 2001 expressed the recognition that the FTAA, if completed, would be monumental in creating a novel trade and investment regime.

> The San Jose Declaration can be compared to the 1986 Punta Del Este Declaration which launched the Uruguay round of multilateral trade negotiations. It represents a commitment by 34 countries to the most ambitious undertaking for trade liberalization since that time. It also represents the largest regional integration effort ever undertaken involving both developed and developing countries in a common objective to realize free trade and investment in goods and services, on the basis of strengthened trading rules and disciplines. The breadth of the negotiations, which will be set in place by the San Jose Declaration, is unprecedented even by standards of the Uruguay Round.[36]

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[35] Summits of the Americas Secretariat, *Summit Report 2001-2003: Advancing in the Americas – Progress and Challenges*. Washington: OAS, 2003.
[36] "Overview," *Free Trade Area of the Americas*, available at www.ftaa-alca.org

The FTAA had the potential to bring considerable trade and investment clarity to the Americas. Rather than simply the linking of existing trade blocs, the FTAA would standardize trade and investment rules across the Americas, superseding the complexity of the "spaghetti bowl." The effort at a novel "competition policy" may be seen as recognition of the economic and political problems of monopolization in the region. Most importantly, and distinct from the existing practices within trade blocs in Latin America, the FTAA would provide a more detailed set of rules covering more areas of trade and investment, backed by an effective mechanism for enforcement and dispute resolution, providing the necessary security through recourse to a hemispheric authority to stimulate and attract investment.

Had the FTAA been adopted in its most idealistic form, the Americas could have become within the global economy one large market of close to a billion people overseen by a single regional authority and supported by negotiated mandates and financial commitments to infrastructure and human resource development. This new regional architecture would have ensured a continuous dialogue among the nations of the Americas, and integrated the United States into a rule-based system serving to modify and regulate United States-Latin America relations, reducing the unilateralist behavior of the United States in the region. Such a construct and abdication of "national authority" fomented concerns, but mostly within the largest economies of the region (with the exception of Mexico). While there were sectoral concerns in a variety of nations, the majority of nations could imagine the clear benefits in new lines of public and private financing as a substantial trade bloc in the international economy that would rival other emerging regional blocs in attracting FDI and generating a more secure economic future. Taken together, the mandates of the Summit Process and FTAA represented a distinctive venture beyond the existing trade agreements and regional trade blocs of the Americas. The collapse of negotiations expressed the inability of a few nations to move beyond nationalistic goals and priorities within the context of heightened tensions between the United States and Latin America.

The Post-FTAA Context – From "Regional Blocs" to "Continental Drift"

The collapse of the negotiations on the FTAA and the broader Summit process represents an important juncture in North-South relations in the Americas. It is the loss of a negotiated effort to address the developmental problems of the Americas, which in the majority of instances require regional cooperation and engagement with the United States (and Canada). Where the 1994 to 2000 period of summitry was marked by recognition of these realities, the 2001 to 2005 period may be characterized as a return to the worst features of the United States-Latin America relationship that would ultimately end the enterprise. Part of the problem arose from an exaggerated sense in parts of Latin America as to the importance of the FTAA to the United States, rather than a focus on the potential investment benefits to the whole region in terms of global markets. For the United States the FTAA was always an agreement of convenience, not of strategic necessity, and understood as offering more and secure investment opportunities (particularly in Brazil) in exchange for addressing some of the needs of the South. As opposition and rejection of the "FTAA" became symbolic of a growing "anti-U.S." sentiment for a couple of nations, irrespective of broad support in the region for the potential investment gains through the Summit process, the vulnerability of the agreement became evident.

The roots of the breakdown and revival of regional tensions lay in the 2001 summit in Quebec City. As negotiations moved closer to completion, negotiations between the U.S. and Brazil as regional hegemons became increasingly strained. The Canada-U.S. position attempted to emphasize the merits of the FTAA framework alone in fostering investment and economic growth to address broader development issues, thus minimizing their commitment to new lines of public financing.[37] At the time this stance came across as grossly insensitive to the immediate needs of various Latin American nations affected by the financial instability in the Southern Cone and the reemergence of debt maintenance problems. This position from the North served to invigorate a more regional bloc position being advanced by Mercosur in alliance with Venezuela, asserting that a U.S.-Canada desire for the FTAA was conditional on generously financing broader development mandates that served the South. The events of 9/11 diminished the primacy of the Summit process for Canada and the United States towards a narrow focus on

[37] Terry Kading, "Canada and the Hemisphere," in Janine Brodie and Linda Trimble (eds.), *Reinventing Canada: Politics of the 21st Century*. Toronto: Pearson, 2003. p. 316-317

security issues over all other regional issues (allowing preset meetings to be missed). When U.S. attention did turn to the region it was with a much more unilateralist tone, raising tensions between the U.S. and Latin America on a range of issues[38] and sparking concerns over expanded interference in the political affairs of various nations, notably Venezuela.[39] The quick U.S. recognition of the government instituted after a military-backed coup against president-elect Hugo Chávez in 2002 initiated an instant rebuke by all other nations of the region and reignited concerns of U.S. skulduggery. The restoration of the Chávez administration only further discredited the U.S. over its democracy-promotion agenda,[40] and fomented an even more entrenched and virulently anti-American presence in the region.[41] With the stabilization of the Argentine political crisis around the figure of Néstor Kirchner, whose domestic success lay in blaming the "neo-liberal" model for Argentina's crises of 2001-02 (and indirectly the U.S. for failing to alleviate the Argentine predicament), the prospects for unanimous agreement at the FTAA were severely diminished.[42] Brazil, as co-leader with the U.S. in finalizing the terms of the FTAA, contested the content of the agreement and sought alternatives through international efforts at the WTO (Group of 20).[43] By 2004, what had been a tentative coalition in Quebec City had evolved into a more coherent regional bloc with discussions for a South American Community of Nations in advancing regional trade integration and unity versus the U.S. on the FTAA.[44] In addition, Mercosur promoted a free trade agreement with the EU, a process it felt was further along than the FTAA (but

[38] Pablo Bachelet, "Hemisphere's leaders weigh options as U.S. nears election day," *Miami Herald*, Oct. 3, 2004 (from ISLA, #5136); Pablo Bachelet, "Four nations that won't sign deal with U.S. risk aid loss," *Miami Herald*, Dec. 18, 2004 (from ISLA, #6091); Juan Forero, "Bush's Aid Cuts on Court Issue Roil Neighbors," *NYT*, Aug. 18, 2005 (from ISLA, #3597)

[39] Alexander Starr, "How the US went wrong in Latin America," *CSM*, Mar. 15, 2006 (from ISLA, #1265)

[40] Andres Oppenheimer, "Bush's crusade to spread democracy could backfire," *Miami Herald*, Jan. 23, 2005 (from ISLA, #463); Paul Richter, "Latin America Leaders Balk at U.S. Plan," *LAT*, June 3, 2005 (from ISLA, #2834)

[41] Steven Dudley, "Chávez gaining support across region," *Miami Herald*, May 15, 2005 (from ISLA, #2435); Juan Forero, "Opposition to U.S. Makes Chávez a Hero to Many," *NYT*, June 1, 2005 (from ISLA, #2869)

[42] Adam Thomson, "Chávez seeks stronger Argentine ties," *FT*, Feb. 2, 2005 (from ISLA, #934)

[43] Raul Zibechi, "Regional Integration After the Collapse of the FTAA," *IRC Americas*, November 21, 2005; John Graham, "Mar Del Plata: Post Mortem and New Challenges," *FOCAL*, Feb. 6, 2006; Jane Bussey, "Panel divided over trade pact," *Miami Herald*, Feb. 17, 2006.

[44] "Leaders Aim to Unite Continent In Trade," Miami Herald, Oct. 25, 2004 (from ISLA, #5150); Andres Oppenheimer, "South American trade agreement doesn't add up," *Miami Herald*, Oct. 24, 2004 (from ISLA, #5151); Richard Lapper, "South American unity still a distant dream," *FT*, Dec. 9, 2004 (from ISLA, #6101)

would ultimately collapse as well).[45] The growing consensus was that the U.S. had failed dramatically in the region, but the context was more intricate.[46] Where Venezuela and Argentina imagined the establishment of a Mercosur+ in forging an alternative development plan for South America, Brazil was seeking a larger international bloc in forcing open the markets of the U.S. and Europe, particularly in agriculture. Both visions, though, worked against acceptance of the FTAA without concessions by the major economies of the Americas.

By 2005, as original ratification and implementation dates passed for the FTAA, tensions only increased for the Summit in Mar del Plata, Argentina, scheduled for late 2005.[47] At the summit Venezuela (and to a lesser extent Argentina) captured the media spotlight by scuttling the proposed FTAA and refusing to compromise or work out an alternative time frame for further negotiations. Media images captured the discontent expressed in the streets of Argentina to the FTAA, as it became portrayed as a U.S. initiative to solidify its imperialist position and enslave Latin America, a view openly advanced by President Hugo Chávez at the Summit.[48] The image left from the 2005 Summit was of entrenched and competing blocs offering different visions of development for the region,[49] but the reality was more complex and one-sided favoring the Summit Process and the FTAA. Of the 34 nations of the Americas, 29 endorsed the completion and implementation of the FTAA.[50] Of the five remaining, only Venezuela was adamantly opposed to the resumption of talks, the rest willing in the future based on progress at the WTO (notably on agriculture). Behind the scenes Mexico and other FTAA supporters attempted to take the lead in proposing that the existing 29 move towards

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[45] Mike Esterl, "Free Trade Area of the Americas Stall," *WSJ*, Jan. 19, 2005 (from ISLA, #472); Raphael Minder, "Hopes fade for early EU trade deal with Mercosur," *FT*, March 29, 2005 (from ISLA, # 1467)
[46] Evelyn Iritani, "Bush's Trade Plan Stalled," *LAT*, Nov. 15, 2004 (from ISLA, #5632); Kevin Hall, "Arguments hinder meeting on trade," *Miami Herald*, Nov. 21, 2004 (from ISLA, #5633)
[47] Richard Lapper, "Latin lessons: the US faces a loss of leadership in a troubled region," *FT*, May 17, 2005 (from ISLA, #2437); Larry Rother, "Bush Faces Tough Time in South America," *NYT*, Nov. 2, 2005 (from ISLA, #4875)
[48] Patrick McDonnell, "U.S. a Target at Summit in Argentina," *LAT*, Nov. 5, 2005 (from ISLA, #4884)
[49] Richard Lapper, "Fuel for the fire: the US faces a challenge as Chávez begins to export his revolution," *FT*, Nov. 3, 2005 (from ISLA, #4879)
[50] Mei-Ling Hopgood and Jack Chang, "Bush is bruised but not beaten in talks," *Miami Herald*, Nov. 6, 2005 (from ISLA, #4888); Howard LaFranchi, "At Summit of the Americas, no trade pact for Bush," *CSM*, Nov. 7, 2005 (from ISLA, #4893)

completing the FTAA (an "FTAA of the willing"),[51] but it was evident that the U.S. was content to remove itself from this negotiating framework and extend the process of bi-lateral agreements with interested parties.[52] Such agreements were less onerous to negotiate, less costly in terms of financial commitments and expectations, and less potentially intrusive on U.S. sovereignty (with the added advantage of not providing a public forum for "U.S.-bashing"). In addition, the Brazilian reservation over limited access to U.S. agricultural markets under the FTAA favored the U.S., as the U.S. lost nothing by rejecting a rapid reduction in subsidies and was willing to endorse the Brazilian position at the WTO against Europe. This established the bases for a more sound bi-lateral relationship between these hegemonic powers. And despite the image of Mercosur as a unified bloc allied with the Venezuelan position, within this bloc significant tension existed to the extent that had there not been prior commitments to address the concerns of Paraguay and Uruguay within Mercosur, these two nations would have endorsed the FTAA.[53] These tensions and others within the Mercosur bloc became far more evident after the collapse of the FTAA revealing the extent to which all the smaller economies of the Americas favored the Summit process and FTAA over any other proposed alternative, but whose influence was limited by the regional power politics of a few larger national economies.

The collapse of the negotiations over the FTAA ended an eleven year endeavor to refashion the Americas into a union with common goals for the first time, and left the larger Summit process as but a low-profile "talk shop." Without the negotiating framework of the FTAA the nations of the Americas were again left to their own national devices in seeking investment and trade opportunities in the global economy. Within this more insecure context several nations of the region sought or expressed an interest in completing bi-lateral agreements with the United States, including the nations of Central America and the Dominican Republic (CAFTA-DR), Colombia, Peru, Ecuador and Bolivia. Unlike the high profile and potential prospects of the FTAA via coordinated and regional integration efforts, these bilateral agreements follow the NAFTA model of

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[51] Jorge Arrizurieta, "Support of region's leaders can make FTAA reality," *Miami Herald*, Nov. 16, 2005 (from ISLA, #4898)
[52] Editorial, "The Boys in Brazil," *WSJ*, Nov. 8, 2005 (from ISLA, #4917)
[53] Alan Clendenning, "A New Partner," *Miami Herald*, Dec. 3, 2005 (from ISLA, #5363)

minimal institutional structures and minimal commitments to larger development goals (education, health, and infrastructure). What these agreements do provide is the World Bank "stamp of approval," allowing for new loans to support the necessary administrative requirements for agreement compliance and to ease adjustment pressures. For the U.S., these agreements only minimally affect U.S. unilateralism in the region.[54] As to the overall benefits of these bilateral agreements to the Latin American nations involved, this remains to be determined.

These post-FTAA dynamics were mild compared to the tensions in the Mercosur-Venezuela bloc based around the vision of SAFTA (or Mercosur+). At the very time that Venezuela sought full membership into Mercosur in an effort to broaden the reach and heighten the global status of this customs union, Uruguay entered into a protracted and volatile conflict with Argentina.[55] The dispute originated in an unprecedented FDI proposal for Uruguay, the largest in the nation's history. Initiated in 2005 by two Finish pulp and paper companies, the investment comprised two large pulp facilities with important opportunities in long-term employment and spin-off benefits for a nation struggling with massive debt servicing and currency problems after the Brazilian devaluation of 1999. Argentina opposed the investment over environmental concerns for a shared river system protected by an international agreement. Through late 2005 and 2006 this dispute evolved into a full-blown trade war, with Argentina closing down the main transport artery between Uruguay and Argentina, and costing Uruguay hundreds of millions of dollars in lost trade and tourism.[56] Argentina would forsake Mercosur arbitration in favor of a ruling by the International Court (which Argentina lost in a landslide decision), and the conflict is now being arbitrated by Spain.[57] As the dispute continued Uruguay ratcheted up the rhetoric against not just Argentina, but the functioning of Mercosur in general, then declaring and seeking a free trade agreement with the United States in defiance of the regulatory constraints of Mercosur

[54] Ben Beachy, "Targeting Nicaraguan's Stomachs: The U.S.'s 11th-hour Elections Meddling" *Commondreams.org*, Oct. 31, 2006
[55] Mei-Ling Hopgood, "Paper factory sparks conflict," *Miami Herald*, Oct. 22, 2005 (from ISLA, #4449); Monte Reel, "Uruguay's New Paper Mills Incur Argentine Wrath," *WP*, Nov. 13, 2005 (from ISLA, #4874)
[56] Larry Rohter, "A Back-Fence Dispute Crosses an International Border," *NYT*, Feb. 13, 2006 (from ISLA, #817)
[57] DPA, "Argentina and Uruguay agree to continue Madrid process," *MonstersandCritics.com*, April 20, 2007.

membership.[58] Argentina would then articulate a vision of Mercosur that would exclude Uruguay and Paraguay.[59] Without evaluating the grievances of either nation, what was most evident from the dispute was the unwillingness and/or inability of Brazil to exercise hegemonic power in forcing a settlement, allowing economic relations to destabilize and the dispute to become a major international incident tarnishing the image of Mercosur.[60] What the dispute revealed was the extent to which Mercosur, primarily anchored by the buoyancy of the Brazilian market, is an increasingly weak economic and political union.[61] The decision by Brazil in 1999 to unilaterally devalue its currency not only threw Mercosur into a general fiscal and economic crisis (leading to numerous trade conflicts with Argentina[62]), but compelled a major revision of Brazilian economic policies towards corporate and export expansion into new global markets to resolve the nation's own debt maintenance problems.[63] With this strategy Mercosur no longer offered the necessary economic returns to address growth and debt servicing needs. In other words, for Brazil the investment and consumption possibilities within Mercosur had been largely exhausted in serving national interests, particularly with the complete collapse of the Argentine economy. This new strategy then opened up the possibilities for rapprochement with the United States on a range of issues at the expense of a stronger alignment with Argentina and Venezuela.[64]

Further tensions in the bloc were revealed after associate member Bolivia, under the new presidency of Evo Morales, introduced without regional consultation significant

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[58] Andres Oppenheimer, "Uruguay's overture to U.S. shakes up bloc," *Miami Herald*, Jan. 19, 2006 (from ISLA, # 395); Pablo Bachelet, "Uruguay moving to free-trade talks," *Miami Herald*, May 5, 2006 (from ISLA, #2174); "Quotes of the week," *LAWR*, May 9, 2006; "US proposes Peru-type agreement," LAWR, Aug. 1, 2006

[59] "Divergent approaches to Mercosur's future," *LAWR*, May 16, 2006

[60] Benedict Mander, "Mercosur partners unable to paper over the cracks as mills row escalates," *FT*, Feb. 8, 2006 (from ISLA, #815)

[61] Alan Clendenning, "A New Partner," *Miami Herald*, Dec. 3, 2005 (from ISLA, #5363); "Mercosur summit produces plethora of confusing signs and gestures," *LAWR*, July 25, 2006

[62] See Raymond Colitt, "Brazil president urged to act on Argentine quotas," *Financial Times*, July 15, 2004 (from ISLA, #3676) and "Trade policy decried," *Miami Herald*, July 7, 2004 (from ISLA, #3675); Richard Lapper, "Good times fail to hide Mercosur tensions," *FT*, Dec. 17, 2004 (from ISLA, #6102)

[63] Todd Benson, "Corporations In Brazil Shed Stay-at-Home Tradition," *NYT*, Dec. 10, 2004 (from ISLA, #6068); Larry Rohter, "South America Seeks to Fill the World's Table," *NYT*, Dec. 12, 2004 (from ISLA, #6080); Andrew Downie, "Brazilian Chicken flies past US," *CSM*, Dec. 14, 2004 (from ISLA, #6081)

[64] Steven Weisman, "Powell See Improved Ties With Latin America, *NYT*, Oct. 5, 2004 (from ISLA, #5139); Richard Lapper, "Bonhomie fails to mask signs of growing divide," *FT*, Feb. 11, 2005 (from ISLA, #935)

increases on government royalties for oil and gas deposits exploited by foreign companies or face expropriation.[65] Most telling in the action was the military occupation of facilities developed by Petrobras, the joint public-private petroleum company of Brazil, to publicize for international attention the new president's decrees concerning the strategic resources of Bolivia.[66] Having embarrassed Brazil and raised the nationalistic ire of these populations, Bolivia and Brazil then entered into tense and protracted negotiations for over a year on these new resource conditions.[67] Further intrigue was revealed as Brazil viewed the tactic as instigated by Venezuela's president, Hugo Chávez, compelling Brazil to openly chastise and rein in Chávez's regional strategy.[68] In addition, and directly challenging Chávez's efforts at solidifying an anti-U.S. bloc in the region, Brazil established a collaborative relationship with the United States, notably in the area of energy alternatives. More fallout from Bolivia's action involved Argentina then limiting supply and raising prices on gas distribution to Chile (which accounted for all of Chile's natural gas supply and 47% of Chile's electrical production), leading to a major economic and diplomatic dispute.[69] Threatening Chile's much vaunted economic stability and growth Chile responded by advancing its own rapid drive towards energy self-sufficiency within the next two years, recognizing the limits of relying on one's neighbors.

These tensions in South America over the last couple of years express the various individual national efforts to enhance public and private investment opportunities to achieve larger development goals in a context of scarce investment and increasing internal political pressures. These very efforts, though, continue to expose the region as an unpredictable and volatile investment climate[70] where even in a political juncture of national leaders with shared ideological inclinations (Venezuela, Brazil, Argentina,

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[65] "Evo Morales packages an oil tax increase in a high-profile 'nationalisation' pageant," *LAWR*, May 9, 2006

[66] Constant Brand, "Bolivia rift overshadows summit," *Miami Herald*, May 13, 2006 (from ISLA, #2184)

[67] Vivian Sequera, "Critics: Lula caved to Bolivian gas nationalization," *Miami Herald*, May 6, 2006 (from ISLA, #2191); "Lula toughens message to Bolivia," *LAWR*, Aug. 1, 2006

[68] Juan Forero, "Seeking United Latin America, Venezuela's Chávez Is a Divider," *Miami Herald*, May 13, 2006 (from ISLA, #2185); "Lula raises his voice to manifest his displeasure with Chávez's meddling," *LAWR*, May 16, 2006; "Trying to contain Chávez through 'constructive' engagement," *LAWR*, May 30, 2006

[69] "Chile: Big push for energy self-sufficiency," *LAWR*, Aug. 1, 2006; "Argentina-Chile: Santiago reacts to new fuel surcharge," LAWR, July 18, 2006

[70] Mark Mulligan, "S America problems hit Repsol," *FT*, Jan. 27, 2006 (from ISLA, #419)

Bolivia, Uruguay, and Chile are all ostensibly led from the “left”) the region still cannot effectively coordinate policies to achieve common developmental goals.[71] Of these, the greatest problem to resurrecting a more stable and secure image of the region is the case of Venezuela. The popular support in Venezuela for the domestic agenda of President Hugo Chávez cannot be denied, and can easily be derived from the recent history of the nation. Perhaps no nation in Latin America, blessed with such incredible natural wealth and potential, has so significantly failed to address even the most basic needs of its citizens. Despite a functioning and stable system of party competition and a highly developed oil industry (with the participation by the respected public corporation – PDVSA), corruption and collusion among government officials, political parties, unions and business interests left the nation bankrupt and the majority of wealth concentrated at the top by the mid-1980s. Repeated fiscal crisis, defaults on debt, and staggering unemployment and poverty marked the late 1980s through the 1990s. The simple gestures by Chávez to direct state resources towards education, healthcare services, micro-enterprises, subsidized staples and energy needs, and reviving the productive capacities of Venezuela’s vast under-utilized arable lands (over imports) seem minimal achievements in this wealthy nation and if the nation is to have sustained growth in the future.[72] The problem then is less this “socialist” economic project than the foreign policy driven by a Bolivarian vision of regional integration that seeks to derive financial and economic advantage from within, while ostracizing foreign investment or perceived U.S. influence.

By engaging in high profile nationalizations, openly aligning Venezuela with regimes “unfriendly” to the United States, intervening in the electoral politics of other Latin American nations, deriding other leaders for being “lapdogs” of the United States, and inciting populist protests and anti-American demonstrations at the meetings of heads of state, Chávez’s rhetoric and actions garner the types of media attention that captures headlines in the business press and makes investors cautious if not suspect.[73] From a U.S.

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[71] Tyler Bridges, “Emergency summit averts energy crisis,” *Miami Herald*, May 5, 2006 (from ISLA, #2190); Elizabeth Johnson, “Brazilian state oil company suspends Bolivian investment,” *FT*, May 4, 2006 (from ISLA, #2192); Paulo Prada, “Brazilians Fear Takeover of Farms In Bolivia,” *NYT*, May 10, 2006 (from ISLA, #2194)
[72] Richard Gott, *In the Shadow of the Liberator*. London: Verso, 2000.
[73] “Chavez targets U.S.-owned power firm,” *Globe and Mail*. Jan. 12, 2007, B6.

perspective, Chávez encapsulates all the past justifications for intervention, from threatening U.S. economic and security interests, fostering regional instability to "exporting revolution." Yet the case of Venezuela reveals the limits to U.S. unilateralism due to high levels of reciprocal trade and investment, with considerable FDI in Venezuela and a heavy reliance (dependence) by the U.S. on Venezuelan oil. Where the only recourse for the U.S. is a more general regional consensus that the Chávez government needs to be addressed, the majority of Latin American leaders have been remarkably patient with Chávez's indiscretions even though diplomatic rows have been commonplace with several of the nations of the region.[74] This tolerance arises from the fact that Chávez's Bolivarian vision is backed by tangible actions that address the immediate financial and energy needs of specific nations in the region.[75]

On the financial front Chávez has bought out the IMF debt component of several nations, thus freeing these nations of the onerous oversight and stringent fiscal prescriptions that come with IMF loans.[76] This addresses a long-standing complaint in the region that was raised within the Summit process, with the hope that a social agenda for the region would limit IMF prescriptions. The ability of the Chávez government to pay off Venezuela's debts and expel World Bank and IMF officials is also a powerful symbol of independence supporting Chávez's commitment to establishing a regional bank as an alternative to existing global institutions dominated by First World interests.[77] On the positive side these measures should further force the North to reconsider the practices of these financial institutions or face the prospect of them being increasingly irrelevant to the global economy.[78] The negative for the region is how this heightens the context of investment insecurity for FDI, as IMF / World Bank debt arrangements offered a degree of investment security in the context of a region where national or regional legal instruments are weak or unpredictable on investment issues.

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[74] Chris Kraul and Paul Richter, "Frustrated U.S. Finds Few Willing to Join Anti-Chavez Coalition," *LAT*, Sept. 17, 2005 (from ISLA, #3987); Phil Gunson, "Venezuela, Mexico rift widens in war of words," *Miami Herald*, Nov. 15, 2005 (from ISLA, #4909)
[75] Steven Dudley, "Chávez oil diplomacy attracting new friends," Miami Herald, Nov. 17, 2005 (from ISLA, #4914)
[76] "Debt market proposed for emerging nations," *Miami Herald*, July 13, 2005 (from ISLA, #3236)
[77] "Chavez Proposes Creation of Bank," *Miami Herald*, Dec. 17, 2005 (from ISLA, #5364)
[78] Andrew Balls, "IMF dilemna as new loans start to decline," *FT*, Dec. 28, 2005 (from ISLA #5349)

On the energy front Chávez has aggressively sought to establish an integrated regional infrastructure to ultimately provide energy equality and security for all interested parties.[79] Comprised of unique terms of exchange and generous support structures, with Venezuela assuming the balance of the financial costs, Chávez has been able to bypass ideological differences and bilateral conflicts on other issues in the region and foster cooperation.[80] This initiative also replicates an important mandate within the Summit process, and has set up a competitive dynamic with Mexico for energy distribution throughout the nations of Central America.[81] The strength of these financial and energy initiatives is the very language of the Summit process, "from words to deeds," however both ventures are highly vulnerable for several reasons. One potential problem is the extent to which these initiatives are and remain driven by ideological considerations ("anti-Americanism") over strategic and pragmatic investments in the future of the region, placing smaller economies in a difficult position and fueling internal political divisions. A second concern is whether or not sound financial and regulatory bodies will emerge from these initiatives, or if they will be subject to the vagaries of national electoral politics and existing power imbalances in the region. A final issue is related to the fact that the success of these initiatives is predicated on strong and persistent growth external to the region (such that projects may go uncompleted if subject to "boom and bust" cycles), a situation not new to Latin America and problematic if only replicating a new version of dependency on China (in particular).

China exists as both a perplexing opportunity for Latin America and an important contrast in the present phase of globalization. Over the last few years China has moved aggressively to establish closer diplomatic links, bilateral trade agreements, and direct investment in primary resource and energy sector development in a variety of Latin American nations. The voracious demand by China for primary resources and oil supplies

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[79] Danna Harman, "Chávez seeks influence with oil diplomacy," *CSM*, Aug. 25, 2005 (from ISLA, #3606); Carol Williams, "Chavez Extends an Oil-Rich Hand to Neighbors," *LAT*, Sept. 13, 2005 (from ISLA, #3982)

[80] Monte Reel, "A Latin American Pipeline Dream," *WP*, Feb 12, 2006 (from ISLA, #851); Shearon Roberts, "Chávez's Oil Initiative Is Testing Old Allegiances in the Caribbean," *WSJ*, Mar. 4, 2006 (from ISLA, #1245); Debora Rey, "Gas Summit champions pipeline," *Miami Herald*, April 20, 2006 (from ISLA, #1735)

[81] Will Weissert, "Region approves Mexican energy plan," *Miami Herald*, Dec.14, 2005 (from ISLA, #5368); "Central America: Mexico and Brazil enter as rivals to Venezuela," *LAWR*, June 6, 2006

has driven up global demand and prices creating a degree of financial relief for some nations and windfall profits to a few (notably Brazil and Venezuela). Thus, the expected and projected growth of China bodes well for certain Latin American nations in acquiring more investment and revenues to address some existing limitations. However, as in the past, these advantages are highly skewed across the region with many of the smaller economies gaining few or negligible direct benefits (and the problem of appreciating and volatile currencies for those that are advantaged[82]). At a more problematical level, Latin America remains structured into the global economy in a form that sees the region supporting, rather than acquiring, the very manufacturing platform that potentially could have been located in Latin America.[83] Not only are the lost investment opportunities incalculable, but the very nature of the lost investment contributes to the continued exchange of raw materials for value-added capital and consumer goods, just from a different source (China versus America or Europe).[84] Further, the idea that somehow this is a beneficial act of independence in defiance of "American imperialism" demonstrates how this nationalistic or "regionalistic" rhetoric is out of synch with the functioning and dynamics of trade and investment in the contemporary global economy.

Conclusion – Prospects for the Region

In the early 1990s, at the very time of the new enthusiasm over the potential for Latin America in the emerging period of globalization, Jorge Castañeda published a prescient work on the possible "Africanization" of Latin America.[85] Warning that if the region did not confront its numerous political, economic and social problems it could become marginalized from the emerging trade and investment dynamics of the globe, Castañeda recognized early on that just being 'open' to trade and investment would not be sufficient to prosper. Nearly 15 years later it is evident that Latin America (while not "Africanized") has not been able to convert the latent potential of the region into a dynamic center of economic activity that generates global attention and enthusiasm.

[82] Tyler Bridges, "Latin American currency gains on the dollar," *Miami Herald*, Oct. 25, 2004 (from ISLA, #5155)
[83] Marc Chandler, "US and China go head to head in S America and the Caribbean," *FT*, Sept. 19, 2005 (from ISLA, #4000)
[84] "Garment companies fight back for share of market," *Financial Times*, July 27, 2004 (from ISLA, #3703); Jane Bussey, "China's New World Trade," *Miami Herald*, Sept. 26, 2005 (from ISLA, #4001)
[85] Jorge Castañeda, *Utopia Unarmed*. New York: Vintage Books, 1993. p. 424-425

Rather, news reports of political instability, social conflict, and an insecure investment climate dominate the headlines. As has been demonstrated, though, national leaders have been highly cognizant of the structural problems and limitations of the region and sought redress through negotiated solutions, of which the Summit process stands out as a monumental effort to alter the regions position in the global economy.[86] Alternatively, what the Summit process and latter events revealed was the extent to which there is no unified "Latin America" in political or economic terms. Inequalities in the size and content of economies, and regional power relations, have done more to undermine the potential of the region of late than forces from outside the region. On the other hand, the negotiated mandates of the Summit process are not dead, but remain played out in other regional forums and initiatives by the larger nations of the region. Regrettably, these initiatives lack the more dramatic gains and notoriety that may have been achieved through the Summit process.

[86] Editor, "Lagos: Regional forum needed," *Miami Herald*, Nov. 4, 2005 (from ISLA, #4882)

<u>Appendix I</u>	**Summit of the Americas: Meetings and Mandates**	
1994 (Miami)	**1998 (Santiago)**	**2001 (Quebec City)**
I.) Preserving and Strengthening the Community of Democracies of the Americas	I.) Preserving and Strengthening Democracy, Justice and Human Rights	I.) Strengthening Democracy
1.) Strengthening Democracy 2.) Promoting and Protecting Human Rights 3.) Invigorating Society / Community Participation 4.) Promoting Cultural Values 5.) Combating Corruption 6.) Combating the Problem of Illegal Drugs and Related Crimes 7.) Eliminating the Threat of National and International Terrorism 8.) Building Mutual Confidence	1.) Democracy and Human Rights 2.) Education for Democracy 3.) Civil Society 4.) Migrant Workers 5.) Strengthening Municipal and Regional Administrations 6.) Corruption 7.) Prevention and Control of Illicit Traffic in Drugs and other Related Crimes 8.) Terrorism 9.) Building Confidence and Security Among States 10.) Strengthening of Justice Systems and Judiciaries 11.) Modernization of the State in Labour Matters	1.) Making Democracy Work Better 2.) Human Rights and Fundamental Freedoms 3.) Justice, Rule of Law and Security of the Individual 4.) Hemispheric Security 5.) Civil Society
II.) Promoting Prosperity Through Economic Integration and Free Trade	II.) Economic Integration and Free Trade	II.) Creating Prosperity
9.) Free Trade in the Americas 10.) Capital Markets Development and Liberalization 11.) Hemispheric Infrastructure 12.) Energy Cooperation 13.) Telecommunications and Information Infrastructure 14.) Co-operation in Science and Technology 15.) Tourism	12.) Free Trade Area of the Americas (FTAA) 13.) Strengthening, Modernizing and Integrating Financial Markets 14.) Science and Technology 15.) Regional Energy Co-operation 16.) Hemispheric Infrastructure	6.) Trade, Investment and Financial Stability 7.) Infrastructure and Regulatory Environment 8.) Disaster Management 9.) Environmental Foundation for Sustainable Development 10.) Agriculture Management and Rural Development 11.) Labor and Employment 12.) Growth with Equity
III.) Eradicating Poverty and Discrimination in Our Hemisphere	III.) Eradication of Poverty and Discrimination	III.) Realizing Human Potential
16.) Universal Access to Education 17.) Equitable Access to Basic Health Services 18.) Strengthening the Role of Women in Society 19.) Encouraging Microenterprisies and Small Businesses 20.) White Helmets – Emergency and Development Corps	17.) Fostering the Development of Micro, Small and Medium Size Enterprises 18.) Property Registration 19.) Health Technologies 20.) Women 21.) Basic Rights of Workers 22.) Indigenous Populations 23.) Hunger and Malnutrition 24.) Sustainable Development 25.) Co-operation	13.) Education 14.) Health 15.) Gender Equality 16.) Indigenous Peoples 17.) Cultural Diversity 18.) Children and Youth
IV.) Guaranteeing Sustainable Development and Conserving Our Natural Environment for Future Generations	IV.) Education: The Key to Progress	IV). Follow Up To The Plan of Action
21.) Partnership for Sustainable Energy Use 22.) Partnership for Biodiversity 23.) Partnership for Pollution Prevention	26.) Education	
	V.) Summit of the Americas Follow - Up	

<u>Appendix II</u> – Mandates and Plan of Action From the Third Summit of the Americas (2001)
I.) STRENGTHENING DEMOCRACY
1.) Making Democracy Work Better **Electoral Processes and Procedures** – share best practices and technologies to increase citizen participation, enhance electoral mechanisms using information and telecommunications technology **Transparency and Good Governance** – co-operation on public accounts, exchange best practices, create and implement programs with technical and financial support of multilateral organizations **Media and Communications** – ensure freedom from state interventions, encourage self-regulation, encourage reducing dissemination of extreme violence and negative stereotypes **Fight Against Corruption –** sign and ratify *Inter-American Convention Against Corruption*, strengthen civil society participation, promote policies that increase transparency **Empowering Local Governments** – facilitate citizen participation, promote autonomy and institutional capacity, share information and co-operate on training
2.) Human Rights and Fundamental Freedoms **Implementation of International Obligations & Respect for International Standards** – ratify all instruments; concrete measures to promote respect; eliminate impunity; convention against racism **Strengthening Human Rights Systems** – strengthen and improve inter-American rights system, national human rights institutions, national action plans; foster independent national human rights institutions **Migration** – co-operation among states to address manifestations, origins, effects of regional migration; co-operation on illegal trafficking; exchange information on migration phenomenon **Human Rights of Women –** legal equality by 2002; develop additional policies to address violence against women; facilitate integration of gender perspective in all agencies; consider ratifying UN* convention **Human Rights of Children and Adolescents** – ratify United Nations convention; integrate rights of children and adolescents into inter-American rights system **Freedom of Opinion and Expression** – ensure national legislation consistent with international legal obligations; support Special Rapporteur of the Inter-American Commission on Human Rights (IACHR)
3.) Justice, Rule of Law and Security of the Individual **Access to Justice** – support rights education, exchange experiences in alternative dispute resolution mechanisms (including among indigenous peoples) **Independence of the Judiciary** – strengthen independence, including transparent selection, secure tenure, accountability, and appropriate standards of conduct **Hemispheric Meetings of Ministers of Justice –** develop and exchange best practices; seek technical and financial support to reduce pre-trial detainees, institute alternate forms of sentencing, improve prisons **Combating the Drug Problem** – recognize extreme nature and fight in all its manifestations; strengthen Multilateral Evaluation Mechanism to monitor efforts; promote co-operation **Transnational Organized Crime** – encourage ratification of all UN protocols; implement collective strategies; review national laws and policies to improve co-operation on extradition and deportation **Prevention of Violence –** encourage national institutions to work together to implement integrated programs; greater use of community-based policing; modernize criminal law; exchange best practices
4.) Hemispheric Security **Strengthening Mutual Confidence –** special conference on security to be held in 2004; improve transparency and accountability of security institutions; ratify conventions; promote OAS financial support **Fight Against Terrorism –** support work of Inter-American committee; co-operation to prevent, combat, eliminate all forms of terrorism; ratify as soon as possible international agreements on terrorism
5.) Civil Society **Strengthening Participation in Hemispheric and National Processes –** seek to establish funding instruments aimed at building capacities of civil society; increase institutional capacities of governments; develop democracy and rights education programs; promote participation of minority groups
II.) CREATING PROSPERITY
6.) Trade, Investment and Financial Stability

Trade and Investment – ensure FTAA Agreement concluded no later than January 2005 and in force no later than December 2005; ensure transparency of negotiating process and full participation of all countries **Economic and Financial Stability** – promote stability as well as strong and sustainable growth as preconditions for accelerated growth and poverty reduction **Corporate Social Responsibility** – convene meeting as early as 2002 involving representatives from government, civil society, including mainly the business community, to deepen dialogue in the Hemisphere
7.) Infrastructure and Regulatory Environment **Telecommunications** – provide measures to modernize national laws; facilitate upgrading of human resources; encourage discussion to ensure interoperability; develop program to support connectivity **Transport** – promote co-operation, convergence and information sharing; encourage exchanges to improve human resources; encourage compliance with international standards; discuss modernization of air services **Energy** – pursue regional integration of markets; endorse Hemispheric Energy Initiative which promotes policies and practices to advance such integration
8.) Disaster Management – develop capacity to forecast, prepare for and mitigate hazards; promote exchange of information; combat inappropriate practices in use of natural resources, consumption patterns
9.) Environmental Foundation for Sustainable Development **Environment and Natural Resources Management** – endorse identified areas of co-operation; implement agreements; promote adoption, implementation and enforcement of national legislation that provide high levels of protection, recognizing right of nation to set own levels; implement UN conventions
10.) Agriculture Management and Rural Development – promote national dialogue with objective of medium, long-term strategies towards sustainable improvement in rural life; strengthen rural enterprises
11.) Labor and Employment – respect ILO* declaration; consultation between Labor Ministries with view to raise living standards; strengthen capacities of ministries; work towards elimination of child labor
12.) Growth and Equity **Development Financing** – acknowledge need for development financing; promote and maintain access to international capital markets; recognize that debt servicing constitutes a major constraint on investment **Enabling Economic Environment** – design and implement policies that reduce start-up costs and provide new financial products for low-income groups; encourage commercial banks to broaden client base; provide access to quality information; promote improved market access for disadvantaged groups **Migration** – simplify and speed-up remittances; co-operate on immigration procedures; strive to ensure basic social services; modernize migration management; promote discussion of phenomenon **Enhancing Social Stability and Mobility** – improve property registration; support research; promote recognition of women's contribution to home and economy; promote dialogue on displaced persons
III.) REALIZING HUMAN POTENTIAL
13.) Education – by 2010 universal access to quality primary education and to quality secondary education for at least 75 percent of young people; life-long learning opportunities; end gender disparities by 2005 **Science and Technology** – promote the popularization of science and technology to consolidate a scientific culture; stimulate connectivity; support development of high-level human capital; develop indicators
14.) Health **Health Sector Reform** – commit to an equity-orientated health sector reform process; strengthen domestic standards; intensify efforts to reduce maternal and infant mortality; provide quality reproductive health care **Communicable Diseases** – commit to combat HIV/AIDS; increase resources for prevention, education and access to care; dialogue with industry on affordable drugs; enhance programs for other diseases **Non-communicable Diseases** – implement community-based healthcare; prevention and promotion programs to reduce health risks; develop programs to reduce tobacco use; raise public awareness **Connectivity** – provide sound scientific and technical information to health workers and the public; use tele-health as a means to connect remote populations and provide health services to under-served groups
15.) Gender Equality – endorse hemispheric and UN initiatives; strengthen national machineries and other government bodies; promote gender equity and equal participation in political life; promote use of information and communication technologies; strengthen systems for collecting / processing statistical data
16.) Indigenous Peoples – make best efforts to support national and hemispheric conferences; increase education services; acknowledge world views and customs; ensure participation in design of services; reduce digital, communications and information gaps; promote collection of statistics
17.) Cultural Diversity – enhance partnerships and exchange of information; use of information and

communications technology to create environment to foster awareness of cultural and linguistic diversity
18.) Children and Youth – implement international commitments; promote actions to establish policies to ensure well-being and integral development; promote convening of conferences; share and promote best practices and approaches; promote participation of young people in all matters affecting them
Follow Up to the Plan of Action – underscore need to deepen and broaden our co-operation to meet the needs and provide for the aspirations of citizens **Summit Management** – strengthen hemispheric inclusion by formation of a regionally representative Executive Council of the Summit Implementation Review Group **Implementation and Financing** – underscore need for ongoing dialogue and co-ordination to ensure implementation of mandates; explore with partner institutions the ongoing financial support of initiatives
UN – United Nations ILO – International Labour Organisation

<u>Appendix III</u>	**San José Declaration**
Negotiating Groups	**Objectives (abridged)**
1.) Market Access	- consistent with the provisions of the WTO, to progressively eliminate tariffs and non-tariff barriers, as well as other measures with equivalent effects, which restrict trade between participating countries - all tariffs will be subject to negotiation - different trade liberalization timetables may be negotiated to facilitate the integration of smaller economies and their participation in the FTAA negotiations
2.) Investment	- to establish a fair and transparent legal framework that promotes investment through the creation of a stable and predictable environment that protects the investor, their investment and related flows, without creating obstacles to investments from outside the hemisphere
3.) Services	- establish disciplines to progressively liberalize trade in services, so as to permit the achievement of a hemispheric free trade area under conditions of certainty and transparency - ensure the integration of smaller economies into the FTAA process
4.) Government Procurement	- to expand access to the government procurement markets of the FTAA countries
5.) Dispute Settlement	- to establish a fair, transparent and effective mechanism for dispute settlement among FTAA countries - design ways to facilitate and promote the use of arbitration and other alternative dispute settlement mechanisms, to solve private trade controversies in the framework of the FTAA
6.) Agriculture	- the objectives of the negotiating group on Market Access shall apply to trade in agricultural products - to ensure that sanitary and phytosanitary measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries or a disguised restriction to international trade, in order to prevent protectionist trade practices and facilitate trade in the hemisphere - eliminate agricultural export subsidies affecting trade in the Hemisphere - to identify other trade-distorting practices for agricultural products, including those that have an effect equivalent to agriculture export subsidies and bring them under greater discipline
7.) Intellectual Property Rights	- reduce distortions in trade in the Hemisphere and promote and ensure adequate and effective protection to intellectual property

	rights
8.) Subsidies, Antidumping & Countervailing Duties	- to examine ways to deepen, if appropriate, existing disciplines provided in the WTO and enhance compliance
9.) Competition Policy	- to guarantee that the benefits of the FTAA liberalization process not be undermined by anti-competitive business practices - to advance towards the establishment of juridical and institutional coverage at the national, sub-regional or regional level, that proscribes the carrying out of anti-competitive business practices - to develop mechanisms that facilitate and promote the development of competition policy and guarantee the enforcement of regulation on free competition among and within countries of the Hemisphere