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## **Power and the emerging politics of economic governance in the Americas**

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A crucial dimension of the regional project in the Americas is the construction of a regional economic regime, defined by the complex interaction of hemispheric-level, subregional and multilateral processes. Its construction remains tentative, the process of its negotiation politically fraught, and its likely shape highly uncertain. In essence, though, it constitutes the articulation of a set of trade and investment structures that act as the cornerstone of a broader process of hemispheric cooperation encapsulated in the Summitry of the Americas. The range of challenges associated with the governance and regulation in this economic project are thus substantially different from those encountered in the EU, where the projected and actual scope and depth of integration significantly exceed those of the hemispheric integration process or the Americas project more broadly conceived. The economic project in the Americas is not of a sort which envisages the construction of genuinely regional-level regulatory structures, nor the construction of supranational regulatory bodies comparable to those which are emerging, slowly and often contentiously, in the EU. The challenges of governance and regulation in the Americas relate instead to the construction of a regime of rules, associated at the most basic level with the negotiation and enforcement of trade and investment rules, including in the related areas of subsidies, commercial defence mechanisms (CDMs), competition policy, government procurement and so on, and with the construction of appropriate institutions for the governance of a regional economic regime of this nature.

They are also associated with the negotiation of the broader shape of the economic regime and the ways in which the various parts of the region will be gathered together within it. In this respect, the core governance challenges stem primarily from the huge diversity between the states and subregions accommodated within the Americas, the extent of which is unique among the regions of the world. Indeed, recent statistical calculations reveal that the differences in size and levels of development between the 34 countries participating in the FTAA negotiations (Cuba being excluded) are several times larger than those found between the actual and prospective member countries of the EU (Bustillo and Ocampo 2003: 4-5). Given the scale of the disparities in economic size and across the full gamut of development indicators, the construction of the economic regime in the Americas throws up a very particular set of economic governance challenges associated with the management of both adjustment to the envisaged regime at the national and subregional levels and the developmental consequences of participation in it. The key challenges thus lie most notably in the range of areas associated with special and differential treatment (S&D) for smaller and poorer economies, along with the management of such issues as labour and environmental standards. The term 'governance', in this sense, is advanced here as referring to the myriad processes and strategies associated with the construction of a *viable* economic regime in the Americas and the management (including regulation) of the various economic processes on which it rests.

My primary concern in this paper is to address the question of what sort of *approaches* to economic governance and regulation are emerging in the Americas, and what their implications are for the shape of the economic regime and the broader political economy of the region. I argue that two key emerging approaches can be identified. The dominant approach is based, at root, on the assertion of US hegemony in the region. US strategies in regional trade negotiations have been oriented systematically to the construction of a distinctly hub-spoke set of regionalist arrangements – to which end the growing prioritisation of bilateralism has become the

predominant strategy – as a key means by which to capture control of the governance agenda and ensure that the regional economic regime takes a form consistent with the interests and preferences of the US. In other words, the leverage afforded to the US by the bilateral negotiation of trade agreements acts to situate primary influence over the shape of the rules which constitute the regime, and the primary functions associated with the task of governing and regulating in this context, firmly within the agencies of the US state.

The second approach to addressing core governance challenges has been, and is being, articulated at the subregional level within existing regionalist projects. In important senses, the emergence of a regional economic regime has acted as a catalyst to subregional processes of ‘internally’ negotiating rules in many of the areas covered by the nine technical working groups in the FTAA process. One of the key political tasks in the hemispheric process is thus one of ensuring the compatibility of rules negotiated in the various subregions. While this approach retains, and is likely to retain, some meaning, I contend here that it is being increasingly undermined both by political and institutional obstacles to the necessary deepening of integration in many of the subregionalist projects themselves and, moreover, by the increasingly pronounced bilateral thrust of trade and investment negotiations in the wider region. The gradual crystallisation of a hub-spoke regionalist project, based on a patchwork of bilateral agreements with both individual countries and subregional blocs, is oriented fundamentally to the implantation of rules and disciplines that conform with the preferences of the hub state, thus signifying an the entrenchment of US-led approaches to governance and regulation in the Americas.

In order to flesh out these arguments, the paper proceeds in three parts. The first part looks at the sort of political economy envisaged and implied by the regional economic project and the sets of negotiating interests, including those of the US, that have been brought to bear upon it. The second section addresses the emerging US-led approach to governance in the Americas and seeks to understand the significance of the emerging hub-spoke form of negotiation for the tasks of governing and regulating the economic project. The third section goes on to look at the ways in which governance challenges are being addressed at a subregional level and the ways in which subregional approaches intersect with – and are gradually being drawn into – the dominant US-led approach to these issues.

### **Visions of the regional economic regime**

The process of hemispheric integration represents a key dimension of the neoliberal ideological project, both within the Americas and in the wider global political economy. It represents a device by which the globalising neoliberal project is further embedded in the region and by which the region is further embedded in the globalising world economy, reflecting ‘the triumph of economic liberalism, of faith in export-led growth and of belief in the centrality of the private sector to development processes’ (Payne 1996: 106). Hemispheric regionalism thus represents a specific strategy on the part of its protagonists – primarily governments and business interests – to ‘lock in’ a political economy ideologically and strategically hospitable to the rules of the neoliberal game. Of these protagonists, the US government has been the driving force, and its hegemony since the early 1970s has been moulded systematically to the purpose of disseminating the twin values of neoliberalism and

democracy. The hemispheric project thus constitutes not only an attempt further to reinforce the parameters of a neoliberal (and democratic) political economy in the Americas, but also an entrenchment of both the global and the regional hegemony of the US itself (Phillips 2003).

However, the process of constructing a regional economic regime (which purportedly has at its heart the project for an FTAA) has been characterised by a set of notably divergent ‘visions of regionalism’ among the participating countries and actors. In the case of the US, interest in a regional economic regime and an FTAA has not lain primarily in the area of market access to Latin American and Caribbean economies; indeed, the significance of the region’s economies to US interests decreases steadily as one moves from north to south, becoming relatively negligible by the time one reaches the Southern Cone. Market access-related benefits from a free trade agreement, moreover, would accrue predominantly to the Latin American region as it is in the US economy, not in Latin American and Caribbean economies, that barriers to trade and investment remain concentrated. By the end of the 1990s there remained some disparity between the low average tariff levels that prevailed in the US and Canada (4.5%), the slightly higher levels in countries such as Chile, Bolivia and most of Central America (under 10%), and the still higher levels across the rest of region, reaching over 14% in Brazil and over 16% in Mexico. Yet simple tariff averages obscure the striking degree of sectoral variation in the US tariff structure, and it is precisely in the sectors of most strategic interest to Latin American and Caribbean countries that market access has continued to be impeded by high tariff and non-tariff barriers. Agriculture is the most obvious case in point, along with textiles, footwear and steel, among others. Even where tariff barriers are relatively low, moreover, US trade strategies have been marked by frequent resort to specific *ad valorem* duties and contingency measures such as the notorious Section 301, and to its extensive armoury of commercial defence mechanisms (CDMs) – safeguards, anti-dumping (AD) and countervailing duties (CVDs) – while their use in the rest of the region has remained fairly low by comparison (de Paiva Abreu 2002: 9-11; Phillips 2004a).<sup>1</sup>

US interests in the region are, in fact, defined far more robustly by the security and democracy agendas than by an economic agenda, but the connection lies in the ways in which key issues in the security agenda – drugs, immigration, the environment, terrorism and insurgency, oil and energy – are seen to call for an approach which increases the leverage of the US in the areas of particular concern. The primary vehicle through which this objective has come to be pursued is the hemispheric project. The US agenda in the FTAA process thus involves the elaboration of an *integrated* approach which weaves security-related strategies into a broader economic project. While it might well be the case that these concerns apply principally, with the exception of Mexico, to countries on the periphery of the regional political economy (Grugel 1996: 161), it is nevertheless important to recognise that these are also the countries most economically dependent on the US and thus most compelled to favour an FTAA and other associated trade agreements. The extension of potential market access benefits in an FTAA consequently offers the US some considerable leverage in its ‘integrated’ strategy for dealing with key security issues. The momentum specifically for the *trade* project, then, has come less from the US and much more

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<sup>1</sup> This is not to suggest that there has been no use or abuse of CDMs by Latin American and Caribbean governments, but rather than their use has been much more sporadic and largely in response to crisis and economic shocks.

from Latin American and Caribbean participants, along with regional business interests. Indeed, the trade agenda was initially the second-order issue in the Summitry of the Americas process, moving to centre-stage by the 1998 Santiago Summit only as a result of sustained impetus and pressure from Latin American and Caribbean governments (see Feinberg 1997 for an account). In the event, trade issues were hastily diluted when it became apparent that President Clinton would be travelling to Chile without renewed fast-track negotiating authority, for which reason the agenda was hastily padded out with some 150 other issues and the primary focus diverted to education and social issues (Weintraub 2000: 62).

This is not to suggest, however, that the US has no economic and commercial interests bound up with the regional project. The appeal of regional economic negotiations lies in the possibilities thereby afforded for pushing a 'new trade agenda' in a context marked by a slowing of dynamism (and more recently full-scale crisis) in the multilateral system, a progressive retraction of US engagement and compliance with multilateral rules (see Tussie 1998) and a growing disillusion among developing countries – including in Latin America and the Caribbean – with the content, conduct and implementation of WTO negotiations (see, *inter alia*, Finger and Nogués 2002; Laird 2002; Panagariya 2002). Whether the result of marked disaffection or a liberalising zeal not accommodated by the ponderous multilateral process, then, interest in an FTAA across the region derives in large part – although in different ways – from the possibilities for both compensating the deficiencies of multilateral negotiations and speeding up the liberalisation process. More specifically, for the US – in contrast with Latin American and Caribbean countries – the FTAA project is less about trade *expansion* than about instilling a range of trade *disciplines* in the region which reflect a set of extra-regional and global interests at least as much as they respond to regional priorities (Phillips 2003: 333). These relate to the 'new' trade issues such as intellectual property, government procurement, competition policy, investment rules, and so on. The principal negotiating areas of the FTAA encapsulate these disciplines and translate directly into the structure of technical working groups established at the 1998 San José ministerials. The working group structure thus reflects and facilitates a significant degree of US leverage over the shape of the FTAA agenda; moreover, it entrenches an intrinsically uneven playing field in the negotiations given the frequent absence of precedent and expertise among Latin American and Caribbean officials and negotiators in the relevant negotiating areas (Phillips 2003: 272-3).<sup>2</sup> It also flags up the further key point that, while not about the expansion of trade in goods, the US vision of the FTAA does encompass a crucial element of trade expansion in the area of services, in which it is concerned particularly with prising open the large Southern economies.

The other key element of the US agenda concerns the entrenchment of the connection between trade and finance, and more specifically the protection of US investments. To this end, the positions of the United States Trade Representative (USTR) have favoured an extension of the so-called 'investor-state' provision contained in the

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<sup>2</sup> It should nevertheless be noted that the initial definition of this structure was in part the result of Latin American influence. In talks preceding the 1994 Miami Summit, Brazilian negotiators failed to win support for their argument that it was premature to define the nature and coverage of the free trade agreement. Latin American negotiators opted instead, on the basis of a Mercosur proposal, to include on the USTR's initial list of disciplines those areas in which the US was seen to contravene the principles of free trade: namely, agriculture and CDMs (Feinberg 1997: 137; also Svarzman 1998: 53).

NAFTA to a future FTAA agreement. This grants to corporations a legal status similar to that of states and expands their ability to use trade agreements to challenge local regulatory legislation. Along with its opposition to performance requirements (PRs) on corporations and regulation of capital movements (Hansen-Kuhn 2001: 2), the USTR's commitment to 'investor-state'-type arrangements augurs an entrenchment of investors' rights at the heart of the hemispheric project, whether or not the NAFTA pattern does turn out to be directly replicated. Other hallmarks of US positions are found in the refusal to permit inclusion on the negotiating agenda of its domestic commercial defence laws, particularly those relating to AD, despite the centrality of these concerns to Latin American partners. While CDMs do constitute the foundation of one of the nine FTAA working groups (having been incorporated, as just noted, at the behest of Latin American and Caribbean negotiators), the USTR and members of the US Congress have established categorically that they will not countenance negotiating or authorising any trade agreement that implies a revision of domestic legislation on these matters. Agriculture, likewise excluded from the original working group structure, also remains excluded from meaningful negotiation by the US.

Given the above priorities, the vision of an FTAA favoured by the US government has consistently been of a 'WTO-plus' arrangement, in which the FTAA negotiations aim to exceed existing multilateral provisions in a range of key areas. The rationale for this has two dimensions. On the one hand, the negotiation of a range of trade disciplines in the hemispheric arena offers greater potential for success than in the multilateral arena. Enactment of the post-Doha (and now post-Cancún) WTO agenda is widely adjudged unlikely to deliver comprehensive results on market access issues, for instance, whereas the FTAA does indeed aim for the complete elimination of tariff barriers to trade in goods (albeit on a smaller list of goods than that addressed by the WTO). An FTAA is similarly considered likely to make deeper inroads into such areas as the liberalisation of trade in services, investment rules and competition policy, which have not yet been incorporated fully into the WTO agenda (Salazar-Xirinachs 2000 and 2002). On the other hand, this vision is articulated not only as a means of advancing US commercial and investment interests within the region itself, but rather is also tied to an attempt by negotiators to establish what has been called 'a spiral of precedents' (VanGrasstek 1998: 169-70; also 2000) which would then be deployed as the baseline for subsequent multilateral and extra-regional negotiations. Concessions granted to partners in the Americas might well be matched or exceeded by concessions granted by the US in subsequent trade agreements. The rationale for 'WTO-plus' has thus been that it facilitates both the entrenchment of rules in areas of strategic priority in the US and the development of a trading order consistent with its ideological and economic interests. In a nutshell, it is in this sequential strategy – in the prioritisation of regional negotiations as a direct means to advancing the process of multilateral liberalisation – that the FTAA process might be seen as an attempt, at least, to 'regionalise' multilateralism (Phillips 2002).

While initially adhering to the principle that an FTAA process should be merely 'WTO-compatible', except in the area of market access (Bouzas 2000: 212), the 'WTO-plus' principle has been accepted by Latin American and Caribbean negotiators and was consecrated in the Ministerial Declaration which emanated from

the Seventh FTAA ministerials held in November 2002 in Quito.<sup>3</sup> Their central concerns, however, have consistently been to ensure fuller implementation of the provisions agreed in the Uruguay Round, especially in the area of market access. In other words, the broad stance remains one based on 'WTO-compatibility', emphasising at the same time that a 'WTO-plus' format must be *genuinely* WTO-plus, reaching across the full range of negotiating areas, including those areas excluded unilaterally from the negotiating agenda by the US. The Brazilians, in particular, have been adamant that an FTAA would need to be 'comprehensive' if it is to be either meaningful or acceptable: in short, 'Brazil can only envisage the establishment of a free trade area if it is to obtain concrete and substantial access to highly protected sectors' (Barbosa 2001: 153). Without this, in the words of then presidential candidate Luiz Inácio Lula da Silva, an FTAA would represent little more than 'a process of the economic annexation of the continent by the United States, with extremely serious consequences for the productive structure of our countries' (*La Nación*, 23 October 2002). Market access issues, furthermore, go hand in hand with CDM-related issues, in that any concessions forthcoming from the US on market access might easily be eroded by the discretionary use of these instruments (de Paiva Abreu 2002: 20). This should not be taken to imply that there is no interest whatever in issues connected with the new trade agenda. Indeed, in a number of sectors – such as transport, construction, software and medical treatment – Latin American and Caribbean partners view hemispheric trade as a useful 'apprenticeship' for exporting such services to the rest of the world (Bulmer-Thomas 2001: 8). However, it does reflect the ongoing disenchantment among Latin American and other developing countries with the record of implementation of Uruguay Round provisions on market access and the perennially slow progress of agricultural liberalisation.

The additional problem with WTO-plus is that even by the time of the Cancún ministerials the post-Doha agenda had not taken concrete shape, and indeed the negotiating programme has been thrown into disarray by the collapse of those meetings in Mexico. Especially given that both the FTAA and the WTO negotiations are scheduled for completion in 2005 (although it remains to be seen whether the events in Cancún will mean this is revised), it is thus not clear what WTO-plus might actually involve. What is clear, however, is that progress in the FTAA negotiations depends to a very significant extent on progress in the WTO arena, particularly in areas which specifically require multilateral agreement. This is especially the case with agriculture, in that FTAA provisions might easily be undercut if European and other countries are not constrained to observe the same obligations (Schott 2002: 31). Given the commitment to a 'single undertaking' in an FTAA agreement, the process is thus constrained by a dependence on recovery and progress at the multilateral level, even while it aims for 'WTO-plus' in the substance of a final agreement.

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<sup>3</sup> Paragraph 14 of the Declaration reads: 'We also recognize the progress achieved in the implementation of the obligations assumed by our governments within the context of the Uruguay Round of multilateral trade negotiations, as well as the activities associated with the work program agreed at the Fourth Ministerial Conference of the World Trade Organization ... We reaffirm our commitment to complete the negotiation of the Doha Development Agenda by January 2005. Given that the FTAA will be compatible with and will build on the WTO, where possible, our negotiations must take cognizance of the ongoing developments in the WTO, which constitute part of the Doha Agenda, In this regard we attach importance to achieving the objectives of particular interest to FTAA countries'. The full text of the Declaration can be found at [http://www.ftaa-alca.org/ministerials/quito/minist\\_e.asp](http://www.ftaa-alca.org/ministerials/quito/minist_e.asp)

However, progress towards the 2005 deadline is also faltering in the FTAA context. The political debate across the region has become noticeably less amenable to the successful conclusion of an agreement as originally projected. Over the course of 2002/3 the positions of many governments have shown signs of hardening into either scepticism or resistance, particularly among those larger countries with greatest influence in the region. Mercosur countries' interest in an FTAA has always been rather less pronounced than that of many others given that, of the countries of the region, they are the ones with most at stake in the multilateral system given their much more diversified trade structures and export destinations. The marked Brazilian reticence in the hemispheric process has stemmed in important part from the trade-off an FTAA would represent with its more significant multilateral interests (de Paiva Abreu 2003: 23-4). The US-Brazilian relationship in the FTAA context has been consistently tense – crystallising largely around resistance to a US-dominated initiative and the consolidation of US hegemony in the region – and the Lula government since 2003 has hardened the already hard line taken by its predecessor. This is especially important given that the final stages of the FTAA process (from late 2002) are chaired jointly between the US and Brazil. Mexico, already having an effectively bilateral agreement with the US, has always been the most lukewarm about a putative hemispheric agreement, and there has been some coincidence with Brazilian concerns about a US-led hemispheric initiative. More recently, however, this reticence has shown signs of hardening into opposition in many quarters, including among many of the most influential figures in the political elite.

Crucially, however, political interest in an FTAA has also waned in the US – from a much lower starting point in any case – in both public opinion and government circles. Accordingly the FTAA has come recently to take largely second place to an alternative strategy – that of prioritising bilateral agreements. One such agreement was signed with Chile in December 2002, the foundations have been laid for a similar agreement with Uruguay, Argentina has long been hoping to follow suit, and the US has initiated 'bilateral' negotiations with both the Central American Common Market (CACM) and Mercosur. The logic propelling a more robust pursuit of bilateral than hemispheric arrangements rests on the apparently greater utility of bilateralism in serving key US negotiating priorities – that is, of obtaining access to services markets in the region in exchange for concessions on market access for a range of goods but, equally, the exclusion of significant concessions on agricultural liberalisation or modification of domestic legislation on CDMs. Yet the pursuit of bilateral agreements is also useful as a mechanism for increasing the incentives of other partners (notably Brazil) to engage in similar negotiations, or else for increasing their interests in the success of the FTAA negotiations and thus encouraging a softening of negotiating positions.

It is thus through the progressive prioritisation of bilateral negotiations – mirrored in US negotiating strategies outside the Americas – that US influence over the architecture of the region has been most easily asserted; indeed, the bilateralist emphasis facilitates the construction of the sort of hub-spoke regional arrangements that the US initially envisaged in the FTAA context before this was superseded by the principle of bloc bargaining established at the San José ministerials. Moreover, it has come gradually to be favoured by a number of other governments in the region as the best means of pursuing their strategic priorities in trade negotiations given the height of the hurdles facing the successful agreement of a comprehensive FTAA. The

important point about bilateralism is that it has found most robust expression in the particular area of market access - that is, in the defining pillar of Latin American and Caribbean interests in hemispheric trade negotiations. In this sense, the primarily US-led drive to inject most dynamism into bilateral negotiations has been facilitated by an apparently greater resonance of bilateralism with the key negotiating priorities of Latin American and Caribbean governments than an FTAA itself. There remains strong rhetorical support for a broader and more encompassing agreement, as demonstrated in discussions of the 'level of ambition' for an FTAA in the September/October 2003 meetings of the Trade Negotiations Committee (TNC) in Port of Spain. Yet at the same time the US has encountered receptive responses to its overtures to 'bilateral' agreements with subregional blocs as well as individual countries at the same time as a smattering of proposals have been tabled for a scaling back of the scope of the FTAA negotiations. Most notably, the Lula government's recent announcements of its intentions to restructure Brazilian negotiating strategies in the FTAA context have proposed to negotiate the key issues of market access, services and investment in a bilateral 4+1 (Mercosur-US) format, leaving only 'basic elements' such as dispute settlement, trade facilitation and S&D on the hemispheric negotiating table (Amorim 2003). These proposals have gained some (very guarded) support from some Mercosur partners and CARICOM, have been rejected by the US, and in any event were largely overshadowed by the broadly positive reception at the TNC meetings (including by the US) of a Costa Rican paper on the importance of an encompassing agreement.

The parallel receptiveness to bilateralism among Latin American and Caribbean governments, at any rate, rests not only on considerations relating to the strategic pursuit of market access goals by means apparently more conducive to their attainment than the floundering hemispheric process, but also on a range of incentives and pressures that derive from the hegemonic position of the US in the region. These pressures have been especially clear most recently in USTR Zoellick's determination not to entertain the 'won't do' countries in the multilateral system and to undermine the emerging Brazil-led 'G20+' coalition of developing countries that accompanied the failure of the Cancún talks. The early defection from this grouping of such countries as Colombia, El Salvador, Costa Rica and Peru has been directly a consequence of US trade officials' rebukes and warnings that trade agreements with the US could be threatened by participation in the G20+ (*Financial Times*, 10 October 2003; *Washington Post*, 20 October 2003). Inevitably this pressure has been brought to bear most effectively on small countries in which levels of economic dependence on the US are high, but at the same time Mexico, Chile and Argentina remain, to date, firmly within the G20+ fold despite the structural centrality, particularly for Mexico and Chile, of the economic relationship with the US.

The prevalence of bilateral trade strategies has meant that political interest in an FTAA had become by mid-2003 weaker than ever, notwithstanding attempts to re-assert commitment and re-animate the process in the Port of Spain meetings. While bilateralism is conceived by USTR officials as but one dimension in the 'multiple fronts' strategy of so-called 'sequential liberalisation' for trade negotiations, nevertheless its vitality both derives from vastly increased levels of scepticism concerning the prospects for an FTAA and implies a fragmentation of the structure of the negotiations such that the 'single undertaking' principle is looking increasingly less likely a prospect. Of particular relevance for our purposes here, however, are the

implications of this form of US-led bilateralism for the key governance issues associated with the economic regime in the Americas, and it is to these that we now turn.

### **Bilateralism and the emerging US-led approach to regional economic governance**

Bilateral trade agreements have represented an important means by which the USTR has sought to mould the emerging approach to governing the regional economic regime in a manner consistent with its interests and preferences. The substance of the actual and putative agreements manifests the greater ease with which US trade officials have been able to incorporate a range of key issues into its trading relationships which otherwise would have been, or were being, politically highly contentious. In other words, the agreements and the negotiating agendas leading to agreements reflect the key pillars of the 'new trade agenda', in that they are oriented explicitly to the establishment of binding rules in areas such as trade in services, intellectual property, government procurement and so on, in exchange for certain concessions on market access. However, crucially, the emerging pattern is one in which these concessions are in practice diluted by the retention or the imposition of a range of CDMs and the elaboration of fairly extensive lists of product exemptions applied to trade in goods in strategically important and, moreover, politically 'sensitive' sectors in the US. Thus the issues that have proved to be particular sticking points in the FTAA context, such as agriculture, CDMs and trade in certain goods such as textiles, have been largely diluted in the substance of bilateral agreements or negotiations. As noted before, from the perspective of the regional economic regime the significance of this pattern is that it is precisely those sectors of strategic and political sensitivity in the US that are of most strategic importance in the export profiles of many Latin American and Caribbean economies: sectors in which protection is most extensive in the US – such as agriculture, steel, textiles and so on – are precisely the ones in which Latin American and Caribbean interests in enhanced market access are greatest.

It is worth noting in this context that many of these characteristics of the US's bilateral approaches to key governance issues are embedded in any case in the substance of the Trade Promotion Authority (TPA) legislation that provides the framework for the negotiating strategy. Passage of TPA in 2002 was undoubtedly a triumph for the Bush administration and various business interests, especially in view of the difficulties encountered by the Clinton administration in the 1990s. However, the nature of the final legislation grants Congress a much more significant input into the process than it enjoyed in the first incarnation of fast-track in the early 1990s, largely through its option of passing a 'resolution of disapproval' – a provision described by House Ways and Means Committee Chairman Bill Thomas (R-Calif.) as 'the old shotgun behind the door' (*Washington Post*, 26 July 2002). Apart from diluting the principle of fast-track, the implications are that any concessions that US negotiators might feel inclined to make on market access face complicated prospects once transferred to the arena of domestic legislation, and that labour and environmental standards are indeed likely to be incorporated into an FTAA and any other regional trade agreements given the political climate in Congress, despite resistance across the region and indeed in parts of the Republican White House. The TPA bill also makes significant concessions to certain protectionist groups – most notably Florida producers of citrus fruits, sugar farmers and the textile industry (plus

more recent concessions to the steel industry) – to the manifest disadvantage of regional partners. In this way, concessions to domestic protectionist pressures are present even within the framework for negotiations. Consequently, the playing field in hemispheric negotiations is distinctly uneven from the outset, and this skewing of the terrain towards US interests is manifested clearly in the pursuit of bilateral trade agreements.

The Chile-US bilateral agreement is a good case in point. USTR officials present their key concern in this agreement as having been ‘to level the playing field to ensure that US access to Chile would be as good as that of the EU or Canada, both of which have FTAs with Chile’.<sup>4</sup> The rules which the agreement thus sought to embed in the Chilean agreement were consistent with stated objectives in both the FTAA and the WTO arenas, but their negotiation bilaterally with the Chilean government constituted an important mechanism by which the stalemate, dispute or technical difficulty surrounding the various issue areas at the regional and multilateral levels could be circumvented. In the substance of this agreement, in this light, certain concessions were made on market access for agricultural goods, the commitment being to phase out duties and quotas on such goods over a 12 year period (a longer timeframe than for other goods). Yet this fairly minimal concession from the US on agriculture was noteworthy for the absence of any related commitments on the reduction or elimination of subsidies, and furthermore was accompanied by a Trade Remedies Chapter which provided for the imposition of temporary safeguards by the US government when increased imports were deemed, *by the US government*, to represent a threat or injury to domestic producers. ‘Special’ safeguards were put in place for a range of textiles and agricultural products and no part of the agreement entailed any sorts of alterations to US commercial defence laws. In the meantime, the Chilean government committed itself to such measures as the elimination of a range of drawback and duty referral programmes and its 85% ‘auto luxury tax’, and putting in place the regulatory systems necessary for the enforcement of the US meat inspection system. The agreement also went beyond direct trade issues to include provisions limiting Chilean governments’ future ability to impose controls on capital flows. This represented a crucial dimension of the strategies, noted earlier, to mould the investment environment in the region in a manner consistent with the interests of US investors.

The particularly distinctive dimensions of the agreement, however, were two-fold. The first was that both the Chile-US and the Singapore-US agreements were heralded as ‘the first FTAs anywhere in the world to have specific, concrete obligations to enhance transparency and efficiency of customs procedures’.<sup>5</sup> These obligations permeated the provisions on such key areas as services, government procurement and dispute settlement, and went along with provisions relating to regulation in such areas of key interest in the US’s ‘new trade agenda’ as intellectual property, telecommunications, electronic commerce and temporary entry. The second was that the agreement established what the US saw to be an ‘innovative approach’ to labour and environmental issues. In this approach, the signatories to the agreement are obliged to enforce their own domestic laws on labour and environmental standards and to retain levels of protection which would divert the emergence of ‘races to the

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<sup>4</sup> Statement of Regina K. Vargo, Assistant US Trade Representative for the Americas, Senate Committee on the Judiciary, 14 July 2003.

<sup>5</sup> Statement of Regina K. Vargo, 14 July 2003.

bottom'. The 'innovative' content comes in the preference the agreement entrenches for the use of monetary penalties over trade sanctions for non-compliance with these constraints, with trade sanctions being available to the petitioning party should these monetary penalties not be paid.

The explicit aim, and the most relevant issue for the purposes of our arguments here, is that the US is operating explicitly with the intention of establishing this system as the benchmark for the treatment of environmental and labour standards in the FTAA (Feinberg 2003: 1037). It represents in this sense a strategy for circumventing the entrenched opposition among Latin American and Caribbean governments to the linkage of trade with labour and environmental standards. It is probably inconceivable that the US Congress would ratify trade agreement that carried no provisions on these twin issues; nevertheless, the system of remedies (monetary fines rather than trade sanctions) represents a partial attempt to dilute the perceived trade-environment/labour linkage while, in effect, positioning the enforcement of labour and environmental standards at the heart of the regional economic regime. The substance of the US-Chile agreement thus augurs the construction of a range of regulatory mechanisms designed to further a trade relationship peculiarly in line with the US government's preferences regarding the approach to governance and regulation to be adopted in the Americas. It is also designed to establish a template for subsequent bilateral agreements with countries such as Uruguay, and blocs such as the Mercosur and CACM.

The other related dimension of the emerging US strategy for addressing labour and environmental issues is one which has been brought to bear on the negotiations for a CAFTA (Central American Free Trade Area) with CACM members. It rests on the elaboration of financial and technical assistance packages as part of a broader commitment to provide what has been called 'trade capacity building assistance' to developing countries. In the CAFTA context, the US\$6.75 million four-year grant extended in 2003 to support 'good labour conditions' in Central American trade partners has been funded by the US Department of Labor and channelled through the NGO Foundation for Peace and Democracy (FUNDAPEM). It is oriented to the implantation of inspection systems, education of employers and workers on matters of labour laws and the construction of industrial dispute settlement systems (Office of the USTR 2003). This assistance strategy is also clearly designed in a manner consistent with US preferences for entrenching labour and environmental standards at the heart of both its trade agreements and the regional economic regime more broadly; moreover, it represents an extension of the essentially bilateral means by which the US government has been moving to pursue these goals, given the political difficulties associated with their negotiation at the hemispheric (or indeed multilateral) levels.

Approaches to the broader governance challenges associated with S&D have likewise borne the clear imprint of US preferences. The place of S&D in the hemispheric negotiations has reflected the US vision of the regional economic regime (and specifically the FTAA) as one based fundamentally on the principle of reciprocity, and its view that S&D is not, in the words of Deputy USTR Peter Allgeier, 'an end in and of itself'. Rather, it is seen to represent a set of intrinsically transitional mechanisms for 'foster[ing] economic development, adjustment and integration into

the multilateral trading system'.<sup>6</sup> Accordingly, S&D does not have a corresponding technical working group in the FTAA negotiations; instead, issues of pertinence to smaller and poorer economies are addressed within the Consultative Group on Small Economies and then filtered into the deliberations of the nine technical working groups. Within this prevailing framework of reciprocity, certain hemispheric-level initiatives have emerged within the FTAA process which purport to constitute viable frameworks within which S&D issues can be treated. One of the key innovations in the Quito ministerials was the announcement of a 'Hemispheric Cooperation Program' designed to grant adjustment assistance to enable all countries to participate 'beneficially and equitably' in the negotiations. This remains a long way from constituting a comprehensive package on S&D – certainly from being one acceptable to the majority of smaller and poorer economies pushing for a rather different mode of governance in this area. The aforementioned 'trade capacity building assistance' programme also reaches beyond the elements of labour and environmental standards noted a second ago to include a range of institutional issues and policy concerns, but equally does not constitute a comprehensive approach to S&D issues in the region. Rather, it represents a move to supplement the existing technical assistance activities of the three key regional institutions involved in supporting the hemispheric process – the IDB, ECLAC and the OAS – with a set of bilateral assistance packages coordinated and funded by the US. Clearly this new programme fits with an overall strategy of moulding a bilateral approach to key governance challenges in the hemisphere, in the interests of increasing control and leverage over both the governance agenda and the sorts of policy and institutional structures – in this case related to capacity building – that are likely to emerge.

Thus far, then, the founding principle of reciprocity espoused by the US has been the one that has held sway, even as representatives of the smaller and poorer economies themselves – spearheaded by Caribbean participants – have come over the last couple of years to insist ever more strongly that the principle of reciprocity should give way to 'special and differential treatment involving elements of extended or permanent non-reciprocity in obligations' (Girvan 2003). In this respect, the director-general of the Caribbean Regional Negotiating Machinery (RNM), Richard Bernal, stipulated at the Port of Spain TNC meetings not only that an FTAA needs to incorporate S&D as a structural and central dimension of the regional economic regime (rather than simply as a set of transitional measures) but also that development issues needed to constitute one of the key underpinnings of the Summitry of the Americas process more broadly (<http://www.CaribbeanInvestor.com>, 16 October). This alternative approach to the governance of the regional economic regime, however, has thus far shown few signs of displacing the dominant, US-led approach to addressing these challenges, with important implications for the developmental consequences of participation in an FTAA for the bulk of Central American and Caribbean economies, along with a good number of smaller South American economies.

This US-led approach to economic governance thus carries a range of structural and political consequences for both regional trade negotiations and the shape of the regional economic regime. It has been facilitated by the absence in the Americas project of aspirations to build regional institutions for the purposes of economic governance or regulation, which raises the question of where primary responsibility

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<sup>6</sup> Peter Allgeier, US Statement to the Trade Negotiations Committee, 18 July 2002, Geneva.

for the enforcement of the rules agreed in hemispheric and bilateral negotiations will reside. The substance of the bilateral agreements and negotiations in which the US is engaged, as well as the assertion of its influence over the shape of the hemispheric agenda, suggest a strategy on the part of US officials to fashion a regional economic regime in which the US government assumes a good part of this responsibility. This is clearest in the context of its ‘innovative’ approach to labour and environmental standards, in which the enforcement of the system of monetary penalties resides directly with the US government, on its assumption, of course, that it will invariably be the party petitioning against non-observance of agreed standards in other countries. It is also clear in its packages of financial and technical assistance for trade capacity building, extended bilaterally and monitored by the US Department of Labour and other such government bodies. The project to construct a formal dispute settlement mechanism (DSM) is integral to the FTAA project. If the FTAA negotiations are not successful, it is likely that the dominance of the US in the structures of governance and regulation will be much enhanced. If a DSM does in fact come into being, it is most likely only to co-exist with this US dominance, the latter’s persistence being facilitated by the sorts of bilateral arrangements, noted above, that are currently being put in place.

### **Subregional approaches to governance challenges**

The second – and considerably weaker – mode of governance emerging in the Americas is a subregional one, articulated within the existing subregionalist projects. The NAFTA bloc constitutes something of a separate case, in that the agreement entrenches subregional already extensive rules in many of the key policy areas of concern (such as trade policy, services, intellectual property, environmental standards and so on). Conversely, in the Latin American and Caribbean subregional blocs – Mercosur, the Andean Community (AC), CACM and the Caribbean Community (CARICOM) – the emphasis in recent years has been on the similar elaboration of rules among the member countries of the blocs, and in this sense on moves towards the articulation of subregional responses to key governance and regulatory challenges. In good part these strategies have emerged as strategic mechanisms by which to bolster existing subregional blocs against absorption into an eventual FTAA – that is, to lend greater economic coherence and depth to subregionalist projects in order to retain their rationale in the event of a hemispheric free trade agreement which would, by definition, seek to erode the systems of trade preferences on which, again by definition, subregionalist arrangements rest. Moreover, given that members of all of the Latin American and Caribbean subregional blocs are committed, at least in principle, to collective negotiation across the spectrum of current trade negotiations, the elaboration of common positions directly necessitates the ‘internal’ harmonisation of rules and governance mechanisms. In other part, these strategies have crystallised around attempts to deploy subregional blocs as arenas in which the challenges of adjustment and competitiveness, implied by both hemispheric integration and participation in multilateral trade processes, might most successfully be met. This is so primarily because of the marked lack of competitiveness of Latin American and Caribbean economies and products in both global and regional marketplaces. Particularly in an FTAA in which minimal liberalisation is envisaged in agricultural trade or other key sectors, the lack of industrial competitiveness brings with it considerable and daunting adjustment costs for almost all economies.

While these are issues that are central to current domestic policy debates, they are also increasingly the crux of subregional debates and, more importantly, subregional projects have come increasingly to be redefined as vehicles through which these challenges might most profitably be met. Emphasis in this respect has fallen on the economic conditions which need to prevail if participation in an eventual FTAA is to be meaningful and in order to present unified negotiating fronts in a range of arenas. Across the Mercosur, AC, CARICOM and CACM, prescription has revolved around the perfection of customs unions and the construction of common markets, and consequently the harmonisation of rules in a range of policy areas to these ends. In each of these blocs, however, progress beyond early tariff liberalisation towards these goals has been hampered by a range of political and institutional obstacles and consequently, for the most part, has been slow and somewhat tortuous.

In the Mercosur, the degree of political fragmentation between the member countries, manifested in the persistence of political and sectoral crisis in the bloc from the mid-1990s onwards, has been compounded by the recurrent economic shocks and the strikingly low level of institutional cohesion within the bloc. The peculiarities of the Mercosur process have also played a part in the very faltering process of integration, in that the absence of any kind of supranational decision-making authority necessitates the transfer of legislation entirely to the national level. The process has thus been marked by problems of both ratification and implementation of provisions agreed at the subregional level (see Phillips 2004b). The Andean Community, in this respect, has generally been rather more cohesive than the Mercosur. In part this owes to an older agreement, more robust institutional structures and a certain devolution of authority to these institutions, but also to the greater commonalities of interests (and economic profiles) between member countries. In the case of the Caribbean subregion, effective coordination and the elaboration of extensive webs of common rules has been limited by the historically tenuous linkages between the English-speaking and other parts of the Caribbean Basin, the pronounced weakness of institutional structures such as the Association of Caribbean States (ACS), and indeed economic dependence on the US and NAFTA. The latter considerations apply equally to the CACM, although here again some degree of supranational authority has been constructed within the regionalist project. Apart from these political and institutional issues, the collective elaboration of subregional governance mechanisms is also constrained by the lack of precedent and expertise in many of the relevant policy areas.

Let us take a handful of areas, then, as examples of the sorts of subregional governance mechanisms that have started to emerge in these blocs. In the area of trade in services, first of all, there have been two distinct approaches in the region. The Mercosur's 1997 Framework Agreement on services constituted a direct replication of the WTO's General Agreement on Trade in Services (GATS), resting on a 'bottom-up' approach to liberalisation in which each member specifies its commitments for each sector or activity and is not bound by any other member's commitments that are not included in the resulting schedule. The Mercosur version of GATS, however, goes beyond multilateral provisions in that it stipulates the goal of full liberalisation of trade in services by 2007 and provides for universal coverage of the spectrum of service sectors, activities and modes of supply (Abugattas Majluf and Stephenson 2003: 102). Along with this emphasis on reciprocal market access, the Mercosur agenda points to the gradual and eventual elaboration of 'more harmonized normative

disciplines' in the area of services, which involves the harmonisation of rules governing key sectors, the movement of skilled personnel and the recognition of diplomas and licences (Abugattas Majluf and Stephenson 2003: 106). The Argentine crisis dampened much of the dynamism of the process but it did not alter the substance of the negotiated agreements, and indeed legislative initiatives were ratified at the regional level of in line with the movements towards greater harmonisation of normative disciplines, such as the resolution on freedom of residence in December 2002. Domestic ratification of this legislation is still pending. In addition, the new Argentine-Brazilian drive for revitalising the Mercosur in early 2003 featured a bilateral agreement between these two countries in the area of telecommunications, which aimed to enhance cooperation in the Mercosur Sub-Working Group 1 (Communications) and promote harmonisation of rules and activities (see Phillips 2004b). Conversely, the template for liberalisation of trade in services enshrined in both the NAFTA and the AC, as well as in Central American approaches, has been a 'top-down' one based on 'negative listing' by member countries, in which countries specify reservations and exceptions to liberalisation commitments. This has formed the dominant template that has been extended across the gamut of bilateral and other trade agreements and is the format that has held sway in the FTAA negotiations. CARICOM provisions on trade in services have not specified a particular approach to liberalisation beyond a commitment to the eventual elimination of restrictions (Stephenson 2001: 165).

Undoubtedly, the absence of common regulations on the use of CDMs constitutes one of the most notable holes across Latin American and Caribbean integration processes. While it was noted earlier that deployment of CDMs has been less pronounced and central in Latin American and Caribbean trade strategies, nevertheless their use has shown an appreciable increase, particularly in times of crisis. CDMs have been used with considerable frequency by Mercosur members against one another, particularly AD measures and particularly as responses to the dislocations occasioned by the recurrent crises at the end of the 1990s. Chile represents the notable exception to this generalised penchant in the subregion for deploying CDMs in the management of trade relations. Over the 1990s, it articulated provisions in a range of bilateral trade agreements – including those with Canada (1996), Peru (1998) and Mexico (1998) – to foster the gradual elimination of antidumping and countervailing duties (Tórtora and Tussie 2003: 175). This innovative pattern has not been replicated by other Mercosur members, which continue to labour under the absence of common regulations within the bloc or concrete binding provisions in trade agreements. Legislation was drafted in 1996 and 1997 to cover AD and safeguards applying to extra-regional imports but to date this has not been implemented at the domestic level; similarly, announcements in 1998 of an intention to work towards a genuinely common framework in this area have borne little fruit (Tórtora and Tussie 2003: 176-7). In the meantime, the use of CDMs against imports from third parties remains governed by WTO provisions agreed in the Uruguay Round. None of the other subregional agreements in Latin America and the Caribbean have yet incorporated particularly meaningful or extensive provisions on CDMs. In the AC certain basic rules are in place and, given the presence of supranational institutions with responsibility for enforcement, have been rather more effectively implemented than in the Mercosur.

Rather more concrete process has been made in the area of competition policy. All the subregional blocs except the CACM have subregional provisions in place on competition policy, the AC and CARICOM treating these issues at a supranational level, the NAFTA emphasising enhanced cooperation between strengthened national agencies, and the Mercosur aiming to construct a common policy (Tavares de Araujo 2001). Elaboration of legislation in the Mercosur has thus remained largely hostage to the considerable disparities in national legislation on competition policy, Uruguay and Paraguay having no relevant domestic laws and Argentina and Brazil having legislative frameworks significantly at variance with each other (Tavares de Araujo 1998: 24). A handful of recent domestic initiatives have been reasonably fruitful, such as Argentina's 1999 Defence of Competition Law which aligned its competition policy more closely with Brazil's and thereby augured more promising prospects for harmonisation (Chudnovsky and López 2003: 151).

As in trade and competition policy, provisions on investment remain underdeveloped in most of the subregional blocs (with the obvious exception of the NAFTA) but the subject of fairly intense negotiating efforts. In the Mercosur, the provisions of the two 1994 Protocols (one governing intra-regional investment and the other extra-regional investment) ruled out discrimination in favour of extra-Mercosur investors and indeed stipulated the extension of most-favoured nation (MFN) and national treatment rights to intra-Mercosur investors at all stages preceding, during and following the establishment of investment. Such rights were granted to extra-regional investment only at the post-establishment stage. However, no provisions prevented the granting by member states of unilateral investment incentives (Chudnovsky and López 2003: 148) and it has been from the imbalances occasioned by this practice that most of the tension in the area of investment has arisen among Mercosur members. The offer of investment incentives has been a favoured strategy of the Brazilian government and, while the Argentine version of neoliberalism has generally militated against their use, it increased in tandem with demands from Argentine industrialists for reciprocal action to compensate the diversion of investment to Brazil. The predominant mode of negotiating rules on investment in the region has, however, been associated with bilateral investment treaties (BITS), over sixty of which have been signed among the countries of the Americas since the early 1990s (Robert 2001: 187) and subregional provisions have taken largely second place to this mode of governance in the area of investment.

Progress towards subregional coordination in social policy, finally, has existed largely at the rhetorical level but has come to constitute an important element of the ways in which the utility of subregionalism is conceived. All of the Latin American and Caribbean blocs have moved explicitly to locate development and social policies at the centre of the subregional projects, adopting or moving towards variations on the theme of a social charter. The real significance of these moves for our arguments here lies in the ways in which emerging social policy initiatives feed into the issue of S&D at the regional level. In view of the absence of what would be considered a comprehensive and sustained focus on S&D-related issues in the ongoing construction of a new economic regime in the Americas, subregional approaches have taken two key forms. The first has been to use subregional channels for the collective pressing – primarily by Caribbean, Central American and Andean countries – of these issues in regional negotiations. The participation of Caribbean and Central American countries in the FTAA process has been focused preponderantly on the single issue of S&D for

smaller and poorer economies. This single-issue focus has facilitated the articulation of fairly robust common positions and unified representations in the negotiations, despite the rather meagre results that they have hitherto yielded. The second has been to articulate subregional projects as arenas in which S&D-related issues can be addressed, in the context of their neglect in the wider regional agenda. The Mercosur approach, in this light, has been to negotiate first as a bloc at the hemispheric level and then within the bloc to consider how to deal with the challenges for smaller and poorer economies – for example, Paraguayan interests – within the agreed regional frameworks.<sup>7</sup> In this sense, S&D becomes an internal affair within the Mercosur (in contrast with CARICOM, for instance), and in the context of the hemispheric process the Mercosur is progressively situated as an arena for the more successful management of associated governance challenges.

What the above has demonstrated, then, is that subregional approaches to governance in the Americas have indeed started visibly to crystallise, but that they are considerably weaker, more patchy and more brittle than the dominant US-led approach. They serve to illustrate the earlier point about the ways in which the collective negotiation of issues such as services, investment and CDMs at the hemispheric level have been significantly complicated by the weak or non-existent internal rules and the lack of precedent in the subregional blocs themselves. The solidity of bloc bargaining platforms have been considerably more robust in those areas in which subregional provisions are already extensive and entrenched. An obvious case in point is the Mercosur platform that has crystallised around agriculture in hemispheric and other negotiations: internal Mercosur provisions on agricultural liberalisation came to exceed those of the WTO over the 1990s, and the notably unified negotiating positions that have consequently emerged in this area stand in stark contrast with the difficulty that has been encountered in elaborating common Mercosur positions in most others.

Subregional approaches to governance challenges, however, have also been undermined and moulded in crucial respects by the emergence of the US-led approach dominated by the pursuit of bilateral trade strategies. On the one hand, part of the rationale for the pursuit by the US of bilateral agreements with individual countries has been precisely to increase the incentives for other countries to negotiate similar deals. This has been particularly the case again in the Mercosur, where the agreement with Chile occasioned significant political rancour from Brazil and Argentina. Similarly, the advance of Uruguayan-US negotiations for a similar agreement and Argentina's long-standing hope to do likewise have produced quite significant fractures in the cohesion of the subregional project. US pressure on Brazil in the context of its protagonism in the G20+ has also exacerbated divisions between Mercosur member countries, with Argentina and Uruguay aiming to distance themselves – at present largely privately – from Brazilian positions. Thus the agreement of bilateral deals and the prospect of such agreements have acted in important ways to undermine subregional approaches to governance within the regional economic regime, or at the very least to ensure that they have been considerably weaker than the dominant US-led approach. On the other hand, the US-led approach has also been oriented to moulding subregional approaches in a manner

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<sup>7</sup> I am grateful to Nora Capello in the Argentine Cancillería (Dirección de América del Norte y Asuntos Hemisféricos) for clarifying these and related issues to me.

which brings them more closely into line with US preferences, in that its bilateral negotiations with subregional blocs (at present, Mercosur and CACM) afford greater leverage for the USTR and other government bodies over the shape of the rules agreed in internal bargaining processes. The prospect of 4+1 and similar arrangements, in this sense, is designed to increase the incentives for subregional blocs to accept a range of rules consistent with those that have come to define the hemispheric agenda, as a result of US leverage over its shape, and to fashion internal governance mechanisms in a manner conducive to the successful agreement of bilateral trade deals with the US.

### Conclusions

Pulling the threads together, then, my central contention in this paper has been that patterns and modes of governance in the Americas have come to be dominated by a distinctly US-driven agenda and a strengthening of US hegemony in the region as the basis for this emerging approach. There is a second, parallel, but considerably weaker approach emerging at a subregional level. Yet this has been both undermined and moulded by the active deployment by US government agencies of bilateral strategies aiming to entrench a mode of governance that locates US interests and preferences at the heart of the agenda. The point that emerges most strongly from these arguments, however, is that the emerging economic regime and approaches to its governance are dominated by *politics*. That is, issues of governance and regulation in the new regime cannot be considered to be solely technical issues, as they very frequently are, but rather need to be conceived as intrinsically political processes which cannot be separated from discussions about the power structures that prevail in the region and the ways in which power is exercised within regional processes.

While the focus of this paper has not been on the sorts of governance and regulation that might, from a normative perspective, be needed in the Americas, it has been clear throughout the analysis that the consolidation of US control over the agenda and the shape the economic regime has consequently assumed carries significant developmental consequences for the majority of participants in the process. This is so in terms of the immediate challenges of adjustment that would be demanded by the successful negotiation of hemispheric or bilateral agreements that aim to be comprehensive in the scope of the rules they establish, especially in view of the relegation of issues relating to the treatment of smaller and poorer economies in the structures of the negotiating framework. It is also so from a longer term structural perspective, in terms of the sort of political economy that the emerging shape of the regional project in the Americas augurs. The distinctly hub-spoke nature of regional economic processes, and the associated sets of political relations, facilitates the construction of a structurally uneven playing field which magnifies US interests and preferences and marginalises the interests of smaller and poorer economies. This is not to gloss over important dynamics in intra-regional relations which have mediated and constrained the unilateral assertion of such an approach to governance. Complex and robust political and bargaining processes remain pivotal to the precise shape that the emerging regional economic regime is likely to take, as well as the nature and exercise of US power in the region. Nevertheless, the dominant approach to governance currently in evidence is one which augurs a set of profoundly negative developmental consequences for smaller and poorer economies and a structural

distortion of the negotiating terrain on which key governance challenges are addressed.

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