Real Instituto Elcano de Estudios Internacionales y Estratégicos

Democracy and Trade: US Foreign Policy Towards Latin America

Arturo Valenzuela

Working Paper nº 30/2004

At the OAS General Assembly meeting held in Santiago, Chile in May, 2003 two candidates put forward by the US delegation for key human rights posts in the regional organization were voted down in secret ballots while a third narrowly escaped defeat. A strong resolution condemning human rights violations in Cuba, also supported by the US, did not garner the necessary consensus for passage. Although largely unnoticed, these minor setbacks for US policy towards the Western Hemisphere were symptomatic of a growing rift between the US and its immediate neighbours, reversing a decade long trend of increased cooperation and mutual understanding.

Months earlier Chile and Mexico incurred the ire of the White House by not agreeing to support a resolution at the United Nations Security Council authorizing an immediate military attack on Iraq. Even Colombia, a close ally of Washington following broad US support for that country's campaign against drug-trafficking and armed insurgency, ran afoul of the American administration's global policy by refusing to endorse an agreement exempting US citizens from prosecution by the newly established International Criminal Court. These open disagreements followed a growing sense of unease in the Hemisphere over Washington's perceived lack of constructive regional engagement. The Bush administration was criticized throughout the Americas for its unwillingness to spearhead international efforts to prevent the largest default in history in Argentina, an economic collapse that had ripple effects over the economic fortunes of other countries. It was also criticized for its tacit support of a move by the Venezuelan military to overthrow the constitutionally elected government of that country, a sharp reversal of the post-Cold War commitment of the US government to supporting democratic institutions and the rule of law as the cardinal principles in Hemispheric affairs.

These setbacks responded less to deliberate reversals in policy than to a lack of concerted and coherent leadership in addressing problems in the region as the US narrowly subsumed all of its foreign policy objectives under the banner of the war against international terrorism. US policy towards the Hemisphere in the George W. Bush administration is particularly surprising given the fact that President had forcefully stressed during the campaign that he intended to the Americas at the top of his foreign policy agenda, with a particular emphasis on redefining the bilateral relationship with Mexico. Indeed, Bush's only full-fledged foreign policy speech during the campaign was devoted to Latin America policy, arguing that President Clinton had neglected the region by sponsoring international meetings with little substance, a direct reference to the Summit of the America's process that was set in motion after Clinton obtained the approval of NAFTA.

In the first few weeks in office President Bush did raise expectations that the new Republican administration was serious about placing the Western Hemisphere at the forefront of its international agenda. He welcomed President Vicente Fox at the White House as the first head of state to receive that honour signalling that he was prepared to go beyond trade in helping to redefine the relationship between the three countries of North America. At the Summit of the Americas meeting held in Quebec in the Spring of 2001 he reiterated his commitment to strengthening the Summit process and, in particular, to meet the objective laid down in the First Summit of the Americas held in December of 1994 of signing a Free Trade Agreement of the Americas by the year 2005 The new administration underscored that it would build on its predecessor's commitment to democracy in the region by pushing for the adoption of a democratic charter within the framework of the Summit process and strengthen further the Clinton Administration's commitment to helping Colombia defeat drug-traffickers and insurgents benefiting from the drug trade by expanding aid to Colombia's immediate neighbours.

In evaluating a US administration's foreign policy towards a particular region of the world it is instructive to draw a distinction between three categories of policy. The first refers to 'day to day management.' The dominant position of the US in the Hemisphere means that with every country in the region the US has a dense set of issues on its agenda, more so perhaps in countries with weaker political and economic systems where US influence is significant. To this 'day to day management' of bilateral matters that include trade, immigration, aviation, environment, narcotics, law enforcement, counter-terrorism, military to military relations have been added an increasing number of multilateral matters ranging from corruption to terrorism to education, the environment and sustainable development. They in turn reflect greater cooperation among countries in addressing transnational issues and threats, contributing to a proliferation of multilateral diplomacy through ministerial and presidential level meetings.

The second policy category is what can be characterized as 'grand strategy', policies that respond to a broad vision of foreign policy objectives with clear medium and long-term objectives. It is typically associated with qualitative shifts in policy responding to broad national security challenges or fundamental redefinitions of US interests and goals. The final policy set involves 'crisis management,' or responding effectively to political, economic and even natural emergencies that endanger stability and threaten national security.

Grand strategy in the Western Hemisphere began with the development of the Monroe Doctrine and continued with the policy of Big Stick Diplomacy after the Spanish American War, the Good Neighbour Policy during the New Deal, and Cold War Diplomacy and the Alliance for Progress until the fall of the Berlin Wall. Although it is too early to fully evaluate US post-Cold War policy in the Hemisphere, it does have elements of grand strategy. It began with a vision of economic integration in the first Bush administration that became reality in the Clinton Administration when the President went against the wishes of a majority of democrats in Congress and obtained the ratification of NAFTA with Republican support and later pushed for the negotiation of a Free Trade Agreement of the Americas by the year 20005.

Just as significantly, it continued with a vision of a collective action beyond trade—a commitment to democracy, human rights and multilateral cooperation on a range of issues that were channelled through the Summit of the America's process, launching an unprecedented series of presidential and cabinet level meetings on issues ranging from anti-corruption initiatives to sustainable development to trade to the strengthening of governmental institutions and the rule of law. This brought an end to a pattern of unilateral US intervention in the region that last manifested itself with the forceful removal of General Manuel Noriega from office in Panama in 1991. Indeed, the OAS embargo of Haiti after the overthrow of Aristide, and the latter's return to power under United Nations sanction with hemispheric involvement, was emblematic of a new post Cold War doctrine signalling that Washington was prepared to have proper relations with whomever was freely elected by its citizenry, whether from the left or right, in countries important to US interests –including Mexico–.

The proof of an evolving grand strategy, however, is not in formal declarations, but in its implementation particularly when a country faces concrete foreign policy challenges or crises. In addition to Haiti, threats to democratic governance in Peru, Guatemala, Ecuador, the Dominican Republic, and Paraguay were addressed by the Clinton administration forcefully. This was done within a multilateral context, on in which the Organization of American States moved from a body devoted primarily to the rhetorical defence of the concept of non-intervention, to a body prepared to evaluate the efficacy and legitimacy of electoral contests and hold nation's and leaders accountable in the face of potential disruptions of the constitutional order. The US provided important leadership in managing crises, but its objective was not to reify unilateral actions, but develop the institutional basis for long-term collective action and cooperation in a Post-Cold War context.

If the Summit of the America's process, the restoration of the democratic government of Haiti, and efforts to prevent democratic reversals embodied the core of the Clinton Administration's 'Grand Strategy', it is also the case that the boldest and most politically risky step that the Administration took regarding Latin America was President Clinton's 'Financial Support' package for Mexico in the wake of that country's uncontrolled devaluation in late December 1994. After the opposition Congress' failure to approve aid for Mexico, the President made use of his executive authority and for the first time in history turned to the Exchange Stabilization Fund to provide massive support for a foreign country in financial crisis. The $20 billion pledged by the US became part of a $40 billion support package aimed at restoring confidence in the Mexican economy and preventing the spread of economic collapse in Latin America and other 'emerging markets.' The US response was necessary given the new realities of a globalized economy with rapid international capital movements.

The US foreign policy establishment under Bush continued to handle the 'day to day management' of relations with Latin America well. The resources of the US government are considerable. The Bureau of Western Hemisphere Affairs in the Department of State alone has a larger budget than most foreign ministries and US embassies in the region are large and well staffed. In Bolivia alone, Embassy personnel amount to over 600 functionaries. The motor pool of the Embassy in Mexico City consists of about forty drivers. And, in a typical meeting chaired by the National Security Council on an issue related to a country in the Hemisphere as many as forty participants might attend representing a dozen agencies and bureaus. Indeed, it was policy as usual that carried much of the administration actions in the first months as career people from the previous administration continued to manage bilateral and multilateral initiatives. Out of this process came the adoption of a democratic charter in the OAS General Assembly in Lima and an expansion of US assistance to Colombia by providing stronger regional support. Even the shift to a greater emphasis in Colombia policy to counter-insurgency support from a predominantly counter-drug focus represented policy continuity under different circumstances –namely the collapse of the peace process and President Andres Pastrana's specific appeal for a shift in US engagement–. It is likely, in other words, that a similar shift as part of day-to-day management would have occurred in the Clinton administration.

The Bush administration in its early months, however, appeared to be setting the groundwork for its own version of a 'grand strategy' when, working with Mexico, it indicated that it would be willing to go beyond a trade agreement that created the largest single market in the world, to a broad agreement on migration that would pave the way for the development of guest worker programs for Mexicans and the regularization of the status of millions of illegal Mexican immigrants in the US. Working level groups made considerable conceptual progress on the matter, much to the satisfaction of the Fox administration in Mexico which saw success on migration as an important example of the 'democratic bonus' that Mexico would obtain when it defeated the long standing ruling party.

But, working level progress on immigration reform with Mexico soon ran into political difficulties with the domestic side of the White House. Despite the president's own commitment to making progress with Mexico on the issue, reflected in his praise for hard working Mexican immigrants to the US, political advisers to the President, taking their cues from Republican leaders, including Senator Phil Gramm of Texas, made clear that the president could be hurt politically with his natural base if he appeared to be countenancing a policy that 'rewarded' illegal residents for 'breaking US laws.' Even before the terrorist attacks of 9/11, the administration's signature policy innovation regarding the Hemisphere was in serious doubt, although there appeared to be some room for consideration of modest progress in redesigning temporary worker programmes. This prompted Mexican Foreign Secretary Jorge Castañeda to complain that Mexico was not interested in partial solutions, but was interested only in the 'whole enchilada.' Days before 9/11, President Fox in New York took the unusual step of criticizing the slow progress the administration had made not on immigration reform, but on other aspects of the 'new' agenda with Mexico, such as the 'Partnership for Prosperity,' which envisioned significant investment in Mexico to help redress the asymmetries of the two countries along the lines of policies followed by the European Union.

After 9/11, any attempt to make progress on temporary worker programs was also derailed by administration officials concerned that the Congress would not look favourably at a policy designed to bring more people into the US for brief employment related stays. Curiously, 'regularization' was not revisited after 9/11 on security grounds despite the fact that the US has as many as ten million undocumented foreign-born residents whose true identities would help and not hinder anti-terrorism efforts. Although the administration has argued that immigration reform was simply rendered a moot question after the terrorist attacks on New York and Washington, Mexican officials are aware of the fact that the Bush administration has not been willing to make the political commitment needed to obtain immigration reform. The President would have had to press his own party to get on board and risk having to do a deal primarily with members of the opposition, as Clinton did in embracing NAFTA, to get immigration reform through. The president’s commitment to a ‘grand strategy’ for the Western Hemisphere was not enough to take political risks to make implement it.

Complicating the administration’s ability to innovate in Western Hemisphere policy was its choice of Cuban American Otto Reich for the post of Assistant Secretary of State for Western Hemisphere Affairs. Reich, with little experience out of Central America and the Caribbean, did not send a reassuring signal to countries that differ with the US on the Cuban embargo and chafe at an appointment made to satisfy the exigencies of Florida politics over progress in hemispheric relations. But more serious than the perceptions expressed on embassy row or in foreign ministries across the continent was the reaction to the appointment on Capitol Hill where Reich’s controversial role in defending the Reagan administration’s policy in Central America was viewed as anathema by Democratic Senators who succeeded in blocking his confirmation as Assistant Secretary.

Rather than seeking a consensus candidate, the White House persisted with its nominee, finally appointing Reich to a temporary recess appointment that would have to be reviewed again by the new Congress. Despite the fact that the Republican Party regained controlled of the Senate, that body continued to object to Reich’s appointment, forcing the administration to give him a ‘face-saving’ and less consequential position at the National Security Council. Reich’s successor, who was still not confirmed by mid 2002 more than halfway through the President’s term proved less objectionable to the Senate. But Roger Noriega, the former chief staff assistant to Senator Jesse Helms, did not generate much enthusiasm even in Republican circles mindful of the fact that previous Republican Assistant Secretaries were drawn from the ranks of prestigious business leaders with vast hemispheric experience.

The absence of leadership at the State Department, combined with a waning interest in Latin America policy at higher levels of the administration, has contributed to a caretaker approach to hemispheric policy that failed to deal forcefully in ‘crisis management’, particularly with respect to looming crises in Argentina and Venezuela.

In a deliberate effort to distance itself from what it viewed as an excessively proactive policy on the part of the Clinton administration in dealing with international financial crises, the Bush team took a decidedly ‘laissez faire’ approach to the looming economic meltdown in Argentina. Adopting a policy of ‘tough love,’ the US Treasury encouraged the IMF to insist on increasingly draconian cuts in fiscal expenditures to address ballooning fiscal deficits as a way out of the crisis. Although Argentine political leaders had clearly been at fault in condoning state borrowing particularly at the provincial level, the International Monetary Fund's policies were clearly pro-cyclical, only aggravating a crisis that was partly rooted in a fixed exchange rate regime that became increasingly unsustainable after massive devaluations in Brazil following the Asian financial crisis. In a classic Catch 22, public sector debt ballooned further not only because of Argentina’s uncompetitive position vis-à-vis its neighbour, but as significantly because of continued downgrading of the countries credit rating which only fuelled further its debt profile. The

Treasury did not help much by suggesting that the problem in Argentina (and Brazil) was rooted primarily in corruption and mismanagement.

Nor did US officials take active steps at a political level to try to work with the Fernando De La Rua government to seek a solution to the problems, hastily approving a support package that did not embody a broader economic and political strategy to resolve the crisis which was as much of confidence as of fundamentals. The administration was convinced that of the Argentine economy could be insulated from the rest of the continent. Although it is true that Brazil managed to avoid default and a dramatic economic downturn in the wake of Argentine devaluation that brought about a collapse of the banking system and plunged Argentina into a deep political crisis and the worst financial reversal in its history, Argentina's fate has had a profound ripple effect in the Southern Cone and the Andean region, the dimensions of which will be debated for some time to come.

In the case of Venezuela the US response to the attempt by Venezuelan military officers to overthrow the government of Hugo Chavez dealt a blow to the evolving framework of US hemispheric policy of the post-Cold War era which began in the second term of the Reagan administration and was strengthened through the management of crisis during Bush I and Clinton years. Although 12 presidents had not finished their terms of office in the wave of democratization that began in the early eighties in the waning years of the Cold War only one, President Aristide in Haiti was overthrown in an outright military coup. The others were either impeached or forced to resign from office having lost popular and congressional support and replaced by constitutionally sanctioned successors. In all such cases the US, working with its Hemispheric partners and through a renewed Organization of American States, did everything possible to dissuade the forceful overthrow of constitutional governments.

By taking no steps to stop the military movement and quickly endorsing the legitimacy of an unconstitutional 'provisional' government the US seemed to be reverting to another era when the legitimacy of democratic institutions was a less important than the policy objectives of the incumbent regime. The US response in welcoming a 'provisional government' with no basis in Venezuela's constitutional framework was not a carefully thought out policy option vetted at the highest levels of the US government. Rather it resulted from enthusiasm among political appointees in mid level positions in the administration with developments that could lead to the removal of a clear irritant in hemispheric relations, enthusiasm that obscured the broader implications of a democratic reversal in the Hemisphere for US policy. In the wake of the failure of the coup, the US did join the consensus of the Organization of American States in calling for the maintenance of democratic continuity in Venezuela. However, its actions deprived it of the moral and political leadership required to continue to constructively address the in Venezuela, one that despite the significant efforts of the Organization of American States and particularly of its Secretary General, Cesar Gaviria, is far from fully resolved.

In two areas the administration has made important headway: mutual security and trade. In the aftermath of 9/11 the administration successfully invoked the Rio Treaty of mutual security assistance gaining important political support for the US response to the attacks in its war on al-Qaeda and the Taliban. Although Mexico had, ironically, withdrawn from the Rio Treaty declaring it obsolete, both countries made considerable headway in securing the Southern border of the US. Across the region countries also improved cooperation in intelligence and counter terrorism matters.

It is in trade, however, that the administration has made the most significant progress. As early as the Quebec Summit President Bush assured his neighbours that he would obtain from the Congress ‘fast track’ authority to negotiate trade accords and pledged to conclude the FTAA and the bi-lateral free trade agreement with Chile initiated by his predecessor. This authority re-dubbed ‘Trade Promotion Authority’ grants the president the ability to negotiate trade deals that imply changes in US law subject to an up-or-down approval by the US Congress that would refrain from amending the agreement.

President Clinton, after his re-election, had failed to secure that authority when the Republican leadership of Congress insisted that he needed at least a majority of democrats on his side for them to go-along. Clinton discovered that after the 1994 defeat of the democrats who lost control of both houses of congress, it was far more difficult for him to gain support from democrats for his own free trade agenda. Democratic legislators now in the minority lost campaign finance support from business interests and were forced to rely more on labour for financial support. This contributed to the Democratic Party’s further shift away from free trade, aggravating the president’s ability to obtain ‘fast-track’ authority.

Although lack of ‘fast track’ authority did not hinder progress on the FTAA in the Clinton Administration, which continued to work on the technical groundwork through and OAS led process, it did derail the Administration’s hope to conclude a separate FTA with Chile, initially promised at the Miami Summit. Chile was placed on the backburner of the Clinton administration’s trade policy until after the approval of Permanent Normal Trade Relations with China was approved by Congress. In his last months in office, President Clinton decided to offer President Ricardo Lagos the opportunity to negotiate an FTA with the US even though he did not have ‘fast-track.’

The Bush administration pledged to conclude the Chile negotiations and the broader FTAA process with ‘fast-track’ authority in hand. Making good on that pledge was harder said than done, however, as the enlarged Republican majority in Congress proved to be far less favourable to free trade than its predecessors. Particularly in the South where Republican ranks were swelled by democratic defectors, these defectors while embracing the more conservative Republican position on social issues differed with mainstream Republicans on trade as they sought to reflect the protectionist interests of their constituents. Thus, in order to get ‘fast-track’, or Trade Promotion Authority (TPA) the new Republican administration was forced to turn to protectionist measures that even its democratic predecessor had shunned. TPA was obtained in the House after the administration pledged to insist on lowering tariffs for apparel and textiles only when they were made from US produced cloth and after the administration had slapped hefty duties on steel imports. While these were tactical manoeuvres on the part of Trade Representative (USTR) Robert Zoellick to obtain TPA, they may come back to haunt overall progress on trade negotiations, including the FTAA, as members of Congress remind USTR of its commitments.

True to his word Zoellick proceeded with the Chile FTA negotiations, bringing it to conclusion along with two other negotiations, Jordan and Singapore, begun by President Clinton. The Chile negotiations were at times difficult because the US wanted to make the Chile agreement a template for the FTAA including provisions on financial services, telecommunications and intellectual property. Chile, in turn, did not want to place into the agreement elements that were not relevant to its fairly progressive regulatory regime.

Chile also would have liked the US to deal with US anti-dumping measures that Washington was not willing to place on the table. With the negotiations over and hopes for Senate ratification set for early fall, the US has made clear that the Chile agreement should not be viewed as a model for FTAA.

While Zoellick was negotiating with Chile, it obtained from Congress a renewal of trade preferences for countries of the Andean region (Andean Trade Preference Act –ATPA) and decided to open another set of negotiations outside of the FTAA framework with the countries of Central America. US efforts on the trade front with the Andean countries and Central America have been interpreted in Brazil and other countries as a deliberate policy to open alternative multilateral negotiations aimed at pressuring Brazil to take a more accommodating position in the FTAA negotiations, lest the US embark on a series of alternative agreements that would place it in a stronger negotiating position. Some have argued that the US strategy is also a response to Brazilian insistence on seeking an FTA with the Mercosur countries and negotiate with the US as a block.

While there is truth to these arguments, ATPA renewal also responded to pressure to continue trade preferences originally granted to countries facing significant threats from drug trafficking, an issue considered by the US to be a significant security threat. At the same time the free trade agreement with Central America responded as much to attempts by the US to garner regional support for its policies vis-à-vis Iraq as it did to specific trade imperatives. It is no accident that the only countries willing to join the 'coalition of the willing' in the Western Hemisphere were Costa Rica, Nicaragua, Honduras and Colombia.

But what are the current prospects that an FTAA will be achieved by January 2005? The difficulties are daunting. The current draft of the agreement worked out at the technical level includes 7,000 brackets, each denoting an item that needs further discussion to resolve. Washington, which now co-chairs the FTAA process with Brazil, remains committed to 2005 date, despite efforts on the part of countries of the Caribbean to gain more time, fearing that the signing of an FTAA before the successful conclusion of the WTO round would be highly detrimental to CARICOM countries that are counting on 'special and differential treatment' they believe they can best extract from the WTO process. Brazil, while not pushing back on the date, has made it very clear that it is not prepared within this time frame to see a comprehensive agreement signed. For Brazil as well as other countries in the region the real objective in an FTAA negotiation with the US is to obtain access to US markets in agricultural matters, although Brazil is also concerned about US steel tariffs. As such Latin America would like US concessions on agricultural imports and a modification of US anti-dumping rules as barriers to trade.

But the US has made clear that such matters are best left to the WTO negotiations in the Doha round. The issue of agricultural subsidies and preferences is a matter the US will not discuss with developing countries without getting concessions from the Europeans and Japan on those items. On the other hand, the US wants to include in the FTAA process the so-called 'Singapore Issues' such as investment, competition policy, trade facilitation and government procurement, as well as matters of intellectual property. Deputy USTR Peter Algeir has argued that the US-Chile FTA is the standard for progress in the US Central America negotiations as well as in the FTAA negotiations. Advancing on Central America after the concluding Chile would allow the US to negotiate agreements that would then confront Brazil with a *fait accompli*.

Brazil, echoed by other countries, including those of the Caribbean, have argued that if the US is unwilling to discuss agriculture in the FTAA, it also prefers to shift to the world negotiation venue issues that the US has on its agenda, unless it were able to persuade the US to enter into direct negotiations with Brazil through the Mercosur plus 1 construct. Essentially this view holds that Latin American could benefit from developing country progress at the global level, whereas it could be jeopardized by a regional accord in which the US took key items off the table.

It is also clear, however, that the Bush administration views progress on trade as an important political as well as foreign policy objective. The US presidential election will take place in November 2004, and the White House would like to be able to show that it has advanced on its signature hemispheric policy. The conclusion of negotiations and the announcement of the location of the FTAA secretariat in Miami prior to the US election are viewed by the White House as a plus for the president's re-election hopes. This political factor may have contributed to the administration's guarded receptivity to Brazilian entreaties that both countries lower expectations for the negotiations and seek an 'FTAA light' that would avoid contentious issues that would be transferred to the WTO negotiations. For Brazil this means focusing pragmatically on several specific market opening opportunities. A simplified FTAA could, for example, include disciplines on transparency in government procurement matters, without agreeing to open contracts to foreign bidders beyond a certain point.

The problem with this approach is two-fold. It flies in the face of the broader negotiating objectives of the USTR that has always insisted that it wants a 'robust' FTAA or none at all. Rather than clearing difficult issues in the FTAA in order to consider them at the WTO, the US would like to leverage the European countries by making progress at the FTAA level on several of its key issues while dealing with agriculture and antidumping in the broader negotiations. Secondly, the strictly market access approach runs into the politically sensitive question: which products will be affected. Brazil clearly has little interest at this time in an agreement that would not provide substantial entrée into the US of agricultural products.

A key example is orange juice. Brazil currently processes 40% of the world's oranges. Brazilian orange juice is subject to 29 cents a gallon tariff that effectively cripples its entry into the US. But, the Bus administration would be hard pressed to do anything about the orange juice tariff. The US is the second largest orange juice producer in the world, processing 35% of the world's oranges, and its industry is primarily located in Florida. Florida orange juice interests have mounted a massive campaign, with the blessing of Governor Jeb Bush, the President's brother, to make sure that any FTAA agreement does not contemplate the removal of the orange juice tariff.

Any concession to Brazil on orange juice would thus complicate the President's re-election campaign in a state that is viewed as critical to that effort. Any progress on this sensitive issue is simply out of the question until November of 2004, making it very unlikely that the FTAA negotiations can be completed in time for the January 2005 deadline. And orange juice is only one product. President Bush carried both Pennsylvania and West Virginia, steel states that benefited from the administration's additional tariffs. The White House is unlikely to want to rescind those tariffs before the election even if the WTO rules the tariffs are illegal, further complicating negotiations with steel producing countries including Brazil. Conceivably, the White House could turn around and seek a deal involving politically difficult concessions if, and when, the

President is re-elected, a matter that does worry Florida orange juice interests and steel producing states.

Complicating making matters is the widespread perception that the WTO negotiations are stalling. Despite recent efforts by Europe to modify its common agriculture policy, the Europeans do not appear anxious to announce in advance their negotiating position in the Cancun WTO negotiations in September. US officials have argued that European concessions on agriculture don't go far enough in eliminating export subsidies and providing market access, arguing that the US subsidizes 23% of its farm sector whereas the European Union and Japan subsidize 40% and 60% respectively. Trade conflicts between the US and Europe extend to differences over US steel tariffs; restrictions in Europe to exports of US genetically modified foods; and disagreement over US export tax breaks. At the same time the US has made clear that it is unhappy with developing country resistance to relaxing restrictions on industrial goods and has threaten to retaliate against developing countries by eliminating preferential access to the US market.

In sum, unless significant progress is made at the WTO that would allow for an early breakthrough in the FTAA process, a doubtful proposition, it is likely that the FTAA negotiations would be derailed by the timetable of the US election. In that case the FTAA will be postponed until after the US elections with a good chance that progress can be made if Bush is re-elected. Should Bush fail to win re-election and the democrats win the presidency, progress on an FTAA will depend on whether a democratic president succeeds in regaining control of congress, a probability that is less than even today. But the broader question refers back to the overall state of US Latin American relations. Will the Bush administration signal a change in the overall pattern of US policy towards the Western Hemisphere –marking a reversal to more unilateralist practices? Or will the force of events, and particularly the inexorable process of economic integration, reaffirm a multilateral foreign policy based on cooperative efforts to address common hemisphere problems.

Arturo Valenzuela

BIBLIOGRAPHY

Roberto Bouzas, *The FTAA Process: What has it Achieved and Where does it Stand?* Miami: University of Miami, North/South Center Press, 2001

Jorge I. Dominguez (eds.), *The Future of Inter-American Relations.* New York and London: Routledge, 2000

Patrice M. Franko and Georges A. Fauriol, *The Strategic Implications of the FTAA.* Washington: Center for Strategic and International Studies, 2000.

Gary Clyde Hufbauer and Jeffrey Schott, *Western Hemisphere Economic Integration.* Washington: Institute for International Economics, 1997.

Organization of American States. *Official Documents of the Summit of the Americas Process 1998-2000.* Washington, Organization of American States, 2000.

Pastor, Robert. *Exiting the Whirlpool: US Policy Toward Latin America and the Caribbean.* Boulder: Westview, 2001

Miguel Rodriguez Mendosa, Patrick Low, and Barbara Kotschwar (eds.) *Trade Rules in the Making: Challenges in Regional and Multilateral Negotiations.* Washington: Brookings, Organization of American States, 1999.

Riordan Roett (ed.), *Mercosur: Regional Integration, World Markets.* Boulder: Lynn Rienner, 1999.
Jerry Martin Rosenberg, *Encyclopedia of the North American Free Trade Agreement, the New American Community, and Latin American Trade.* New York: Greenwood Publishing Company, 1994.