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Economic Integration in the Americas: A Work in Progress

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ARTICLES

Economic Integration in the Americas: "A Work in Progress"[1]

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I. Introduction

Current political conditions in the United States, Canada and Latin America[2] present an historic opportunity: to establish stable and productive economic relations throughout the Western Hemisphere. From a United States perspective, several developments are noteworthy. From the Rio Grande and Florida south to Tierra del Fuego, more nations of Central America, South America and the Caribbean have elected democratic governments and are implementing

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1 *Expanding Hemispheric Trade is Seen as 'A Work in Progress'*, Int'l Trade Daily Rep., August 9, 1994, *available in* LEXIS, Itrade Library, Intrad File (reporting remarks of Charles E. Roh, Jr., Ass't U.S. Trade Representative for North American Affairs, to American Bar Association Annual Meeting on Aug. 8, 1994).

2 We use the term "Latin America" to include South America, Central America and the Caribbean as well as, in contexts other than purely geographical, Mexico. This follows United Nations nomenclature. *See* Nathaniel C. Nash, *A Boom for the Few — A Special Report; Latin Economic Speedup Leaves Poor in the Dust*, N.Y. Times, Sept. 7, 1994, at A1. We recognize that this is an inappropriate designation for several nations in the Hemisphere, notably in the Caribbean, but felt it necessary to use the term to make references in the article manageable.

free market reforms than at any time in memory. The nations of Latin America are also evincing a strong desire for economic integration, both within their own region and between Latin America and the North. Economic integration has long been a goal of the Latin American states, but even there the explosion of new agreements and groupings in the current decade is extraordinary. The strong Latin American interest in integration with the United States and Canada manifested since negotiations on a United States-Mexico free trade agreement began in 1990 is something quite new, a sea change in attitude that makes new approaches possible.

Observed from a Latin American perspective, the situation looks strikingly similar. The United States, too, is more open to economic and political involvement with the South than at any time in memory. Only two weeks after the United States-Mexico negotiations began, President Bush put forward the Enterprise for the Americas Initiative (EAI), a package of proposals designed to support Latin American economic reforms through programs in the areas of trade, investment and indebtedness. The long-term goal of the trade program, perhaps the principal pillar of the EAI, was a hemispheric free trade area.[3] In pursuit of that goal, the United States has already signed bilateral framework agreements on trade and investment with virtually all Latin American countries.[4] The formation of NAFTA itself, designed to integrate the economy of Mexico, a developing Latin American country, with those of the United States and Canada, represents a striking change in United States policy. The United States has also granted non-reciprocal trade benefits, beyond the Generalized System of Preferences, to the Caribbean[5] and Andean regions[6], and has shown a willingness to address the potential diversion of trade from the Caribbean to Mexico as a result of NAFTA.[7]

In short, the interests of the Hemisphere in democracy, free markets and economic integration now coincide to an unprecedented de-

3 For a concise summary of the EAI, *see* Jeffrey Schott & Gary Hufbauer, *Free Trade Areas, the Enterprise for the Americas Initiative, and the Multilateral Trading System, in* STRATEGIC OPTIONS FOR LATIN AMERICA IN THE 1990s 249, 256-59 (Colin I. Bradford, Jr. ed., 1992).

4 *Id.* The exceptions are Cuba, Haiti, Surinam, and the Dominican Republic. For further discussion of the framework agreements, *see infra* text accompanying notes 83-90.

5 Caribbean Basin Economic Recovery Act, 19 U.S.C. § 2701 *et seq.* (1988 & Supp. V 1993).

6 Andean Trade Preference Act, 19 U.S.C. §§ 3201-06 (Supp. III 1991).

7 The Clinton Administration proposed to make NAFTA-equivalent import benefits available to most Caribbean nations as part of the bill to implement the results of the Uruguay Round trade negotiations but withdrew the proposal because of serious concerns over it in the Senate. *Administration Submits GATT Legislation to Congress, Expects Approval in Weeks*, 11 INT'L TRADE REP. (BNA) 1486 (Sept. 28, 1994).

gree.[8] It is important not to let this historic moment slip away. If the nations of the Americas can maintain the current political and economic trends, they will stimulate substantial economic growth, helping to raise the standard of living of the poor, often destitute, people of Latin America. In the short run, perhaps even the medium run, income disparities and poor living conditions, exacerbated by the adjustment costs of market reforms, will continue to feed simmering social tensions—like those reflected in the recent Chiapas uprising in Mexico—throughout Latin America.[9] In the long run, however, only growth can alleviate the Hemisphere's grinding poverty. The promise of economic integration between North and South is political as well: It could replace decades of unequal interaction, suspicion and outright hostility with cooperation based on common principles. The result would be an unprecedented level of stability and security in this traditionally volatile region.

To capitalize most effectively on the present opportunity, the nations of the Hemisphere must create some enduring institutional framework that can help reinforce and maintain the current political and economic trends. Of course, economic integration in the Hemisphere is already proceeding rapidly, producing an alphanumeric blizzard of acronyms representing sub-regional organizations: NAFTA, MERCOSUR, G-3, ANCOM, ACS. Yet many of the current efforts are going forward without any clear idea of the overall goal or of the best way to reach it. As a result, some of these efforts could later prove counterproductive.

In December 1994, the democratically elected leaders of the Hemisphere will meet in Miami at the invitation of the Clinton Administration in a "Summit of the Americas." This meeting, and the series of consultations likely to result from it, is a perfect forum in which to clarify the goals and modalities of hemispheric economic integration. This article is intended as a modest contribution to that process.

In the next section of the article, we provide an overview of the major subregional groupings and other institutional relationships now being created throughout Latin America. In Section III, we suggest two major goals that should guide the process of economic integration in the Americas: maintaining the multilateral economic system as the

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8 Beyond the regional interests discussed here, the nations of Latin America generally joined with the United States and Canada in supporting the successful conclusion of the Uruguay Round. *See* Hobart Rowen, *Giving Latin America a Lift*, WASH. POST, July 8, 1990, at H1.

9 Nash, *supra* note 2, at A1.

highest priority for the region and achieving regional integration at the hemispheric level. We then outline the principal approaches to economic integration currently being followed, or proposed, within the region—including bilateral agreements, subregional groupings, the expansion of NAFTA, and arrangements of continental scale—and assess these approaches as methods of achieving the stated goals. In the final section of the article, we suggest a different approach: an institutional mechanism that would take account of current political and economic realities, yet set the Hemisphere firmly on the path to economic integration within the multilateral economic system.

II. The Current Status of Western Hemisphere Economic Integration

Undoubtedly the most significant event in the recent history of Western Hemisphere economic relations was the creation of NAFTA in 1993.[10] NAFTA is the largest trading community in the world, with six trillion dollars in annual output—greater than the twelve nations of the European Union—and affects almost every facet of international business within North America. It is the first major free trade agreement between developed and developing countries, and it represents a striking reorientation of economic policy both for the United States and Canada, on one hand, and for Mexico—formerly a heavily statist economy and one of the more outspoken Latin American opponents of United States economic interference with the South—on the other. The possibility of joining or associating with NAFTA has acted as a powerful magnet throughout Central and South America and the Caribbean, drawing one country after another to institute far-reaching economic reforms.[11]

The general scope and coverage of NAFTA are well known, and it is unnecessary to review them here. It is important, however, to demonstrate that NAFTA is only one of many efforts at economic integration currently being pursued throughout the Hemisphere. Inte-

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[10] The North American Free Trade Agreement was signed in December 1992. *President Bush Signs NAFTA at Ceremony*, 9 INT'L TRADE REP. (BNA) 2162 (Dec. 23, 1992). The U.S. House of Representatives approved implementing legislation in November 1993, and the Senate followed suit later that month. After Presidential signature, the implementing legislation brought the agreement into force for the United States as of January 1, 1994. *See House Approval of NAFTA Seen Capping Weeks of Deal Making*, 10 INT'L TRADE REP. (BNA) 1976 (Nov. 24, 1993); *NAFTA Clears Senate by Margin of 61-38*, 10 INT'L TRADE REP. (BNA) 1973 (Nov. 24, 1993).

[11] *See, e.g.*, Juanita Darling, *Spotlight on Trade: Latin American Countries Are Lining Up to Be a Part of NAFTA; Hemisphere: Many Leaders See It as the Best Way to Revive a Foundering Dream of Increased Intra-Regional Commerce*, L.A. TIMES, Nov. 20, 1993, at D1.

gration has been a long-standing theme in Latin America, but the current pace of activity is unprecedented even there. This section outlines the development and status of the major sub-regional economic organizations in the Hemisphere, with special attention to their role in broadening regional cooperation.

A. The Latin American Integration Association (ALADI)

In 1960, two years after the formation of the European Economic Community, seven Latin American nations, later joined by four others,[12] created the Latin American Free Trade Association (LAFTA).[13] When its membership was complete, the organization included all the Spanish-speaking countries of South America, as well as Brazil and Mexico. Like the former EEC, LAFTA was established to promote economic development after the disruptions of World War II and the Great Depression. It was quite consciously inspired by the integrationist ideas surrounding the EEC. Unfortunately, LAFTA's political mechanisms were insufficient to overcome the political and economic differences among its members, and the hoped-for free trade area never materialized.[14]

Twenty years later, the same eleven countries agreed to revitalize the ideal of Latin American integration by replacing LAFTA with a new organization, the Latin American Integration Association, known by its Spanish acronym, ALADI.[15] The Montevideo Treaty establishing ALADI set as a long-term goal "the gradual and progressive formation of a Latin American common market."[16] The organization utilizes several unusual approaches to achieve this goal. First, ALADI has not eliminated tariffs among its members; instead, it has adopted a system of preferential tariff reductions. Second, the treaty divides member countries into three groups according to their stage of devel-

12 Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay were the original members; Colombia, Ecuador, Venezuela and Bolivia joined them over the next several years. *See* Lorin S. Weisenfeld, *Introduction* to *Treaties of Montevideo Creating a Latin American Free-Trade Area and the Latin American Integration Association*, 2 B.D.I.E.L. (CCH) 543 (Nov. 1989); William Andrews, Jr., *Recent Trade Integration Efforts in Latin America*, 1992 A.B.A. SEC. INT'L L. & PRAC. 6 (prepared for a conference on "International Law and Business in the Americas: The Critical Issues").

13 *Treaty of Montevideo Establishing a Free-Trade Area and Instituting the Latin American Free-Trade Association (LAFTA)*, 2 B.D.I.E.L. (CCH) 549 (Feb. 18, 1960).

14 *See* Andrews, *supra* note 12, at 6; Weisenfeld, *supra* note 12, at 542; *LAN Assesses the Woeful Lack of Regional Cooperation and Economic Integration Among the Latin American Countries Over the Past Twenty Years*, LATIN AM. WKLY. REP., May 9, 1986, at 4.

15 Treaty of Montevideo Establishing the Latin American Integration Association, Aug. 12, 1980, 20 I.L.M. 672 (John R. Pate, trans. 1981) [hereinafter Treaty of Montevideo].

16 *Id.* art. 1.

opment. Less developed members benefit from greater tariff preferences and other advantages.[17] Third, ALADI has carried over from LAFTA a clearing system for trade credits designed to minimize demands for foreign exchange.[18]

Most interesting for present purposes, however, is the emphasis that ALADI places on "agreements of partial scope," bilateral or minilateral agreements among some but not all members of the Association.[19] The Treaty seemingly assumes that more progress can be made in bilateral and sub-regional associations than in ALADI itself. It encourages sub-regional liberalization subject to a few important norms, including (1) that sub-regional agreements must be open to the adherence of other ALADI members, following negotiation and (2) that such agreements must contain provisions that stimulate "convergence," in the sense of "progressive multilateralization . . . through periodic negotiations among the member countries, as a function of establishing the Latin American common market."[20] Seemingly independent economic integration arrangements like MERCOSUR and the Andean Group are in fact agreements of partial scope within the ALADI system. In spite of this emphasis, however, the members of ALADI have recently considered proposals for moving more directly toward a South American free trade zone.[21]

B. The Common Market of the Southern Cone (MERCOSUR)

Perhaps the most ambitious of the Western Hemisphere organizations, MERCOSUR was originally designed as a bilateral common market between Argentina and Brazil, to be established within the ALADI system.[22] Uruguay and Paraguay, which trade extensively with Argentina and Brazil, sought to be included, and the Common Market of the South was established among these four nations by the

17 *Id.* arts. 15-23; Weisenfeld, *supra* note 12, at 546.

18 *See* Andrews, *supra* note 12, at 9.

19 Treaty of Montevideo, *supra* note 15, arts. 7-14. The Treaty also authorizes associations with non-members and with other economic integration areas within Latin America. Treaty of Montevideo, *supra* note 15, arts. 24-25.

20 Treaty of Montevideo, *supra* note 15, art. 2(b).

21 Mario Lubetkin, *Latin America: ALADI to Evaluate Regional Integration*, Inter Press Service, Feb. 10, 1994, *available in* LEXIS, News Library, Curnws File.

22 *Act of Buenos Aires, July 6, 1990*, 15 INTERGRACIÓN LATINO AMERICANA 67 (1990), *cited in* Thomas Andrew O'Keefe, *An Analysis of the MERCOSUR Economic Integration Project from a Legal Perspective*, 28 INT'L LAWYER 439 (1994); Alfredo Rovira, *South American Integration Within MERCOSUR*, 1992 A.B.A. SEC. INT'L L. & PRAC. 1-13 (prepared for a conference on "International Law and Business in the Americas: The Critical Issues").

Treaty of Asunción in 1991.[23] The group accounts for some thirty-five percent of intra-Latin American trade.[24] The economic importance of MERCOSUR would increase even further if Chile (currently a member only of ALADI) were to become a member. Chile originally refused to join on the ground that its market would be more open than the others.[25] Negotiations have continued, however, with consideration being given both to a separate free trade agreement and to full Chilean membership. It now appears that the decision has been taken in favor of membership.[26]

As its name suggests, the original goal of MERCOSUR was to establish a full-fledged common market and to do so by 1995. In addition to the elimination of tariffs and nontariff barriers to trade necessary for a free trade zone and the establishment of a common external tariff characteristic of a customs union, the Treaty of Asunción provided for the elimination of barriers to the movement of services, capital and workers, the coordination of macroeconomic and sectoral policies, and the harmonization of national economic legislation, all by December 31, 1994.[27] The Treaty also called for "complementation agreements" by which the member governments would rationalize regional industry in various economic sectors. In fact, however, while some joint steps have been taken,[28] economic and political instability in Brazil (whose economy dominates the region), differences in macroeconomic policy, trade imbalances, disagreements about a wide range of issues, and the weakness of the MERCOSUR institutions have made the goal of a common market unattainable, at least in the short run.[29]

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23 Argentina-Brazil-Paraguay-Uruguay: Treaty Establishing a Common Market, Mar. 26, 1991, 30 I.L.M. 1041 (1991) [hereinafter Treaty of Asunción].

24 *See* Richard Bernal, *Regional Trade Agreements in the Western Hemisphere*, 8 AM. U. J. INT'L L. & POL'Y 683, 702 (1993).

25 Schott & Hufbauer, *supra* note 3, at 262. Upon signing the Treaty, the foreign ministers of the member countries adopted joint declarations encouraging closer ties with both Chile and Bolivia. *See* Treaty of Asunción, *supra* note 23, Declarations Nos. 2 and 3.

26 *Chile Intends to Seek Membership in MERCOSUR, Foreign Minister Says*, 11 INT'L TRADE REP. (BNA) 911 (June 8, 1994).

27 Treaty of Asunción, *supra* note 23, arts. 1, 3-5, 8.

28 One complementation agreement, relating to steel production, has been reached. The parties have developed common regulations on various customs matters as well as antidumping and countervailing duties. Argentina and Brazil have agreed to permit the establishment of binational companies. *See* O'Keefe, *supra* note 22, at 442; Rovira, *supra* note 22, at 12.

29 *See* O'Keefe, *supra* note 22, at 448; Bernal, *supra* note 25, at 702; Rovira, *supra* note 23, at 2-3; Uncas Fernandez, *MERCOSUR Countries Delay Strides Toward Full Common Market*, Agence France Presse, Jan. 18, 1994, *available in* LEXIS, World Library, Afpfr File; *Latin America and the Caribbean*, DAILY REP. FOR EXECUTIVES, Jan. 31, 1994, at 19.

Instead, MERCOSUR has focused attention on the creation of a modified customs union by the 1995 deadline. Internal tariffs have largely been eliminated, if not always according to the time schedule laid out in the treaty. In August 1994, the member countries agreed on a common external tariff (CET) that is to take effect on January 1, 1995.[30] In fact, the agreement calls for a modified form of CET, one that is less than fully "common". A cap will be placed on national tariff rates, several important items will be excluded from this cap for particular countries—the major issue has been Brazilian tariffs on computers and telecommunications equipment—and extra time has been given to phase these tariffs down to the standard cap.[31]

The Treaty of Asunción also deals with possible economic relationships between its members and other nations. Prior to 1995—the end of the planned period of transition to a common market—members of MERCOSUR are required to avoid affecting the interests of other members in any trade negotiations conducted with other ALADI members. Even after the transition period, each member is required to consult with the others if it engages in free trade area negotiations with other states in ALADI and to grant the other members most-favored-nation treatment in connection with any agreements with non-ALADI members.[32]

C. The Andean Group or Andean Common Market (ANCOM)

The Andean Group was formed by the Cartagena Agreement of 1969.[33] The original members were Bolivia, Colombia, Chile, Ecuador and Peru. Chile gradually dissociated itself from the Group in the mid-1970s, as it began to implement market-oriented policies, and withdrew in 1976. Venezuela became a member in 1973.[34] (This lineup means that, of all the members of ALADI, only Chile and Mexico do not belong either to MERCOSUR or to ANCOM.)

The original goals of ANCOM were to establish, by the end of 1980, a customs union and a form of managed common market in which elements of important industrial sectors would be allocated among the member countries so that each could achieve economies of scale. In furtherance of the customs union, the Cartagena Agreement set out timetables for the reduction of intra-group tariffs and the es-

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30 *See Tariff Accord by Latin Group*, N.Y. TIMES, Aug. 5, 1994, at D15.
31 *See* O'Keefe, *supra* note 22, at 442-43.
32 Treaty of Asunción, *supra* note 23, art. 8(d).
33 Agreement on Andean Subregional Integration, May 26, 1969, 8 I.L.M. 910 (1969).
34 *See* Igor I. Kavass, *Grupo Andino and Its Documents*, 16 INT'L J. LEGAL INFO. 83 (1988).

tablishment of a CET.[35] ANCOM is certainly best known, however, for its common policies on incoming foreign direct investment and the protection of intellectual property. Decision 24, issued in 1970, established one of the most restrictive direct investment schemes in the world. This approach was based on the theory of import substitution, and was tainted with nationalistic hues.[36] It was also designed to complement plans for the allocation of industry among member states; foreign investors thus might be refused permission to locate their investments where they could earn the highest returns.[37]

ANCOM's early ambitious plans mainly ended in failure. The lack of foreign investment kept needed capital in short supply; import substitution did not produce the desired development.[38] Trade within the region grew little if at all. In addition, the members of ANCOM found it very difficult to cooperate politically and even technically in the implementation of the group's ambitious goals.[39] Formation of the common market was officially postponed.

ANCOM survived these setbacks, and a fresh start was made at the beginning of the 1990s. In line with the turn to the market in other regions of the world, the Andean Group liberalized its approach to foreign investment, first by Decision 220, which attempted to give member countries greater flexibility within a framework of common and still restrictive rules; then by Decision 291,[40] which gives much greater leeway and establishes such principles as national treatment and free remittance of returns.[41] At a series of annual meetings, the Presidents of the ANCOM members set 1992 as the new date for completion of a modified customs union, with various phase-in procedures to be completed by 1994. Member states were encouraged to strengthen intellectual property protection. Members agreed to eliminate competitive export subsidies and began to consider means of harmonizing economic policy.[42] In response to these developments, the

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35 Andrews, *supra* note 12, at 11.

36 Sebastian Perez Areta, *Andean Pact Developments*, 7 FLA. J. INT'L L. 113 (1992).

37 Schott & Hufbauer, *supra* note 3, at 260.

38 Perez Areta, *supra* note 36, at 113-14; Eduardo Wiesner, *ANCOM: A New Attitude Toward Foreign Investment?*, 24 INTER-AMERICAN L. REV. 435, 437 (1993).

39 Kavass, *supra* note 34, at 83-84; Andrews, *supra* note 12, at 12.

40 Common Code for the Treatment of Foreign Capital and on Trademarks, Patents, Licenses and Royalties, Decision 291, Commission of the Cartagena Agreement, Mar. 21, 1991, 30 I.L.M. 1283 (1991).

41 Perez Areta, *supra* note 36, at 114-115; Wiesner, *supra* note 38, at 446-48.

42 *See Declaration of Barahona*, 1992 A.B.A. SEC. INT'L L. & PRAC. (presented at the conference on "International Law and Business in the Americas: The Critical Issues") [hereinafter *Declaration*].

United States Congress enacted the Andean Trade Preferences Act in December 1991.[43]

Unfortunately, as in prior years, political and economic differences have kept the Andean Group from realizing the promise of its new arrangements.[44] Politically, the upheavals in the region caused by President Fujimori's suspension of democratic processes in Peru paralyzed ANCOM. Economically, the less developed members of the Group balked at the process of trade liberalization; Ecuador and Peru refused to enter the free trade area as the 1992 deadline approached.[45] The Andean Group continues to work toward its ultimate goals, however; in 1993, for example, it signed a memorandum of understanding with the Commission of the European Union for technical assistance on customs reform and other aspects of economic integration.[46]

Like ALADI and MERCOSUR, ANCOM has been very concerned with its relationship to the overall process of Latin American economic integration. The Declaration of Barahona, a 1991 joint decision of the Andean Group's Presidents that was a crucial element in the revitalization of ANCOM, included several provisions on this score.[47] For one thing, the Presidents placed Andean integration in the context of broader forms of integration. They specifically called for a hemispheric zone of free trade to be completed by the end of the 1990s; in fact, however, it appears that the real goal is a Latin American free trade area.[48] They also authorized ANCOM members to negotiate, individually or as a bloc, trade arrangements with other ALADI members or with Central American or Caribbean states. At the same time, the Presidents encouraged the development of closer relations with the United States under the Enterprise for the Americas Initiative and with Europe.[49]

D. The Group of 3 (G-3)

The Group of 3, consisting of Colombia, Venezuela and Mexico, has been one of the fastest-growing subregional organizations within

43 Andean Trade Preference Act, 19 U.S.C. §§ 3201-3206 (Supp. III 1991).

44 Sarita Kendall, *Andean Common Market Fails to Deliver*, FIN. TIMES, Feb. 13, 1992, at I7.

45 Andrews, *supra* note 12, at 13-14.

46 *EU/Andean Pact: Conference Woos European Investors to New Andean Market*, [1993] Eur. Rep. (Predicasts), No. 1905, § V (Nov. 27, 1993).

47 *Declaration*, *supra* note 42, art. III.

48 The more specific sections of the Declaration refer to the formation of a Latin American Economic Zone; the provisions authorizing negotiations seem to focus exclusively on Latin American countries. *Declaration*, *supra* note 42, art. III(A).

49 *Declaration*, *supra* note 42, art III(B)-(C).

Latin America.[50] With a total population of some 140 million, the region is responsible for almost one-third of Latin America's total GDP.[51] The emergence of the G-3 is largely the result of ANCOM's weakness. In 1992, concerned by the ability of the smaller members of ANCOM to block progress within that organization, Colombia and Venezuela negotiated a bilateral free trade agreement within the legal frameworks of ALADI and ANCOM. It was hoped that Mexico could join the free trade area in the same year.[52] In fact, however, a G-3 free trade agreement was not signed until 1994. If ratified by the three parties, this treaty would phase out tariffs on all goods, in most cases over ten years.[53] Recent economic difficulties in Venezuela, however, could disrupt the adoption and implementation of the treaty.[54]

Like the other Latin American economic organizations, the G-3 is concerned with broader regional integration. Institutionally, the G-3 agreement includes a clause providing procedures for the accession of new members and for establishing economic links with other countries and organizations in the region.[55] Politically, the leaders of the G-3 countries have been outspoken in their desire to expand the membership and economic relationships of the Group of 3. As former Colombian President Cesar Gavarilla Trujillo, now Secretary-General of the OAS, remarked, for example, the G-3 "is not a group to form closed trade blocks . . . We hope that other countries of the Caribbean and Latin America will link to this accord that we in the G-3 have signed."[56]

E. The Central American Common Market (CACM)

Efforts to integrate the tiny economies of Central America go back many years. Modern efforts began in 1958, and in 1960 Guate-

50 María José Gonzalez, *LATAM Leaders Optimistic on Regional Integration*, Reuters Bus. Rep., Oct. 17, 1993, *available in* LEXIS, Busfin Library, Reubus File.

51 *Group of Three Agrees Programme*, LATIN AM. WKLY. REP., Dec. 16, 1993, at 579.

52 Andrews, *supra* note 12, at 14.

53 *G-3 Accord Poses Few Problems for U.S. Subsidiaries, Experts Say*, 11 INT'L TRADE REP. (BNA) 1051 (June 15, 1994); *Free Trade Pact Signed by "Group of Three"*, 11 INT'L TRADE REP. (BNA) 945 (June 15, 1994). James Brooke, *In Latin America, A Free Trade Rush*, N.Y. TIMES, June 13, 1994, at D1.

54 This is particularly the case because of the Venezuelan government's interventionist response, which includes a form of exchange controls. James Brooke, *Venezuela's Tight Grip Has Investors Gasping*, N.Y. TIMES, Aug. 19, 1994, at D1.

55 The G-3 has already established a variety of relations with countries in Central America, the Caribbean and elsewhere. *See infra* text accompanying notes 65, 73-77.

56 Gonzalez, *supra* note 50.

mala, Honduras, El Salvador, and Nicaragua signed the General Treaty on Central American Economic Integration, establishing the Central American Common Market.[57] Costa Rica adhered to the treaty three years later,[58] though Honduras dropped out in 1969.[59] This ambitious treaty envisioned a customs union, a regime for balancing regional development through the designation of "integrated industries", and macroeconomic coordination. Unfortunately, revolution, war and other political problems, as well as economic imbalances and disruptions, meant that little was accomplished;[60] indeed, the Common Market essentially collapsed near the end of the 1970s.[61]

In 1990, the Central American nations issued a sweeping Economic Action Plan designed to rekindle the integration movement. In 1991, they agreed to establish a new common market. (Costa Rica did not join in the plan, as it was opposed to the liberalization of immigration; by that time, however, Panama was a member of the group.) As a first step, they began to reduce quotas and other trade barriers in the agriculture sector. The new plan ultimately envisioned a CET system with a range of tariff caps, rules guaranteeing free movement of persons and capital, and liberalized trade in services.

Progress in implementing this vision has been rather slow.[62] In the meanwhile, though, the three northern Central American nations—Guatemala, El Salvador, and Honduras—have agreed to their own FTA, the "Triangle of the North", building on earlier bilateral agreements.[63] This flurry of activity has quite openly been inspired by the Enterprise for the Americas Initiative and the expressed United States preference for negotiating with regional groups rather than individual states.[64]

The Central American countries have also been looking to the larger region. In February 1993, the G-3 agreed to establish a free trade zone with the Central American group. And in 1992, the five negotiated a framework agreement with Mexico under which each of them will establish bilateral free trade relations with Mexico, with the

57 *General Treaty on Central American Economic Integration*, 2 B.D.I.E.L. (CCH) 529 (Dec. 13, 1960). *See* Lorin S. Weisenfeld, *Introduction* to *General Treaty on Central American Economic Integration*, 2 B.D.I.E.L. (CCH) 525 (Nov. 1989).

58 Weisenfeld, *supra* note 57, at 525.

59 *Central American Countries Sign Accords in Preparation for Trade Pact with U.S.*, 8 INT'L TRADE REP. (BNA) 911 (Nov. 6, 1991) [hereinafter *Central American Countries*].

60 Weisenfeld, *supra* note 57, at 526.

61 Schott & Hufbauer, *supra* note 3, at 261.

62 *See* Bernal, *supra* note 24, at 703.

63 *Central American Countries, supra* note 59, at 912; Andrews, *supra* note 12, at 15.

64 *Central American Countries, supra* note 59, at 912.

hope that all the agreements can be rolled into a single multilateral FTA by 1996.[65]

F. The Caribbean Community (CARICOM)

In 1973, Barbados, Guyana, Jamaica, and Trinidad and Tobago established the Caribbean Community under the Treaty of Chaguaramas.[66] Nine additional English-speaking nations in the Caribbean basin joined the treaty within a year.[67] CARICOM replaced the Caribbean Free Trade Association, which itself followed two earlier, largely unsuccessful efforts at Caribbean integration.[68] The goal of CARICOM has been to create a form of common market, with a CET and common rules of origin.[69] Over a ten year period, most member countries adopted the agreed CET, with a range of duties from five to forty-five percent. In general, however, real progress toward economic integration has been halting at best, in large part because of the daunting economic conditions throughout the region.[70] Deadlines for the establishment of the customs union, and thus the common market, have been repeatedly missed.[71] Much of CARICOM's energies have been devoted to obtaining duty-free access for its exports to the United States market, under the GSP and Caribbean Basin Initiative, and defending that access from trade diversion caused by the completion of NAFTA.[72]

The CARICOM countries are so small that, by themselves, economic integration can achieve rather little. Recognizing this, the Caribbean nations began early in the 1990s to broaden their economic links with other countries in the region. They granted observer status

[65] Damian Fraser, *Mexico Links with New Trade Zone: A Framework Pact for Central America*, FIN. TIMES, Aug. 26, 1992, at 15; Andrews, *supra* note 12, at 15.

[66] Treaty Establishing the Caribbean Community (Caricom), July 4, 1973, 12 I.L.M. 1033 (1973).

[67] *See* Lorin S. Weisenfeld, *Introduction* to *Treaty Establishing the Caribbean Community*, 2 B.D.I.E.L. (CCH) 643 (Nov. 1989).

[68] Wendell Samuel, *Integración Económica en el Caribe*, INTEGRACIÓN LATINOAMERICANA 7 (1990), *cited in* Sharon Bowden & Martin Elling, *In the Shadow of 1992: Developing Country Efforts at Economic Integration*, 32 HARV. INT'L L.J. 537, 539 (1991); Mark Baker & Jaime Toro-Monserrate, *CBI v. CARICOM: The Interplay Between Two International Law Instruments*, 11 N.C. J. INT'L L. & COM. 1, 2 (1986).

[69] *See* Caribbean Common Market, Annex to Treaty Establishing the Caribbean Community, July 4, 1973, 12 I.L.M. 1044 (1973).

[70] Andrews, *supra* note 12, at 15, Bowden & Elling, *supra* note 68, at 539; Schott & Hufbauer, *supra* note 3, at 262.

[71] Schott & Hufbauer, *supra* note 3, at 262.

[72] Schott & Hufbauer, *supra* note 3, at 262; *CBI Nations Want NAFTA Parity for Leather, Petroleum Goods*, 11 INT'L TRADE REP. (BNA) 912 (June 8, 1994).

to the G-3 countries, then signed an agreement with the G-3 calling for closer economic, cultural, and political links. Venezuela then requested full membership in 1991 and negotiated one-way duty-free entry for CARICOM exports. Colombia and CARICOM reached agreement on an FTA in 1994.[73] The Caribbean states also began consultations with the members of the CACM.

These efforts culminated in July 1994 with the signing of an agreement establishing the framework for a much larger regional grouping, the Association of Caribbean States (ACS).[74] The ACS is to include twenty-five independent nations that share the Caribbean Sea; another twelve dependent territories are to be associate members. The ACS includes the members of the G-3, the CACM, and CARICOM, as well as a few unaffiliated nations, notably Cuba[75] and the Dominican Republic.[76] The ACS countries encompass 200 million people and have a total GDP of 500 billion dollars, expanding the economic opportunities manyfold.[77] In addition to economic integration, the agreement also provides for scientific, social, political and cultural cooperation, a tall order in an extremely diverse region.

III. PRINCIPLES AND APPROACHES

The foregoing discussion reveals that—despite the frenetic pace at which integration arrangements are being pursued throughout Latin America—relatively little attention is being paid to the overall goal of this activity for Latin America, the Western Hemisphere, or the international economic system.

Some efforts, like the ACS, are predominantly local. A number of arrangements incorporate the ideal of Latin American integration, at least in principle, though few are structured to achieve it. Indeed, sub-regional groupings, with their potential centrifugal effect, are growing increasingly strong. NAFTA operates in a rhetorical climate of Western Hemisphere integration but remains rooted in North America. Lack of a consensus, at least at a general level, on the economic and political relationships that the nations of the Hemisphere

73 *Colombia and CARICOM Conclude Negotiations on Trade Accord*, 11 INT'L TRADE REP. (BNA) 993 (June 22, 1994).

74 *Caribbean: Region Forms Fourth Biggest Economic Bloc*, Inter Press Service, July 25, 1994, *available in* LEXIS, News Library, Curnws File [hereinafter *Caribbean*]; *Caribbean States Sign Regional Cooperation Pact*, 11 INT'L TRADE REP. (BNA) 1179 (July 27, 1994).

75 The ACS is the first regional group to admit Cuba since its membership in the OAS was suspended in 1962. *Caribbean*, *supra* note 74.

76 *Caribbean States Sign Regional Cooperation Pact*, *supra* note 74, at 1179.

77 *Caribbean*, *supra* note 74.

collectively wish to create has several unfortunate consequences. Most obviously, without a consensus on goals there can be no agreement on the strategies or modalities by which such goals should be achieved. The energies of the participants are diffused among various approaches, increasing the likelihood that they will collectively fail to grasp the historic opportunity currently presented to them. Similarly, without a broad agreement on goals, it becomes much more difficult to design and put in place an institutional framework that can effectively harness the region's desire for economic integration. As noted in the Introduction, without collective aims and strategies, some current efforts may even prove to be counterproductive.

In the remainder of this section, we propose two broad principles to guide integrationist activity in the Western Hemisphere. Given the lack of intellectual or political consensus in the region at the present stage, it does not seem appropriate to spell out a more detailed program. We then use these principles to analyze the approaches to economic integration now being followed, or proposed, within the Western Hemisphere. As this discussion will demonstrate, the broad general principles we advance have considerable analytic power and show many current efforts to be wanting.

A. Principles

The first principle we recommend is not a purely hemispheric goal at all. Rather, in spite of the undoubted excitement of regional and subregional initiatives, we urge that support for the multilateral trading system remain the highest priority for the Americas. Economic integration within the Western Hemisphere will be a hollow promise if it leads the Americas to turn inward, closing their eyes—and borders—to Asia, Europe and other economically significant regions of the world. Latin America already trades extensively with these areas, and such trade must continue to expand if the region is to reach its full economic potential.[78] In terms of economic policy, then, regional economic arrangements must at least maintain, and if possible increase, the existing degree of national openness to extra-Latin American and extra-hemispheric trade, so that foreign markets will remain equally open for Latin American exports. In terms of law, the nations of the hemisphere must take no actions, jointly or unilaterally, that would tend to undercut the norms or institutions of the evolving

[78] *Cf.* Schott & Hufbauer, *supra* note 3, at 249.

multilateral system and must observe those rules and procedures by which the system regulates economic integration itself.

What is more, the governments of the Americas must continue to devote time and attention to the development of the multilateral system. In the Uruguay Round trade negotiations, the nations of Latin America generally cooperated with those of North America, supporting such important changes as a phase-out of the Multifiber Agreement, a safeguards agreement, and liberalization of markets for agricultural and manufactured goods. The Round also created a new World Trade Organization and a strengthened and unified dispute resolution system, of which smaller countries like those of Latin America could be the greatest beneficiaries.[79] Even though the negotiations are complete, however, there is still much to be done. The results of the Round must be brought into the national law of 112 signatories; numerous details, such as the harmonization of rules of origin, must still be worked out; the new institutions must be put into operation; and the rules must be applied, tested and interpreted. In addition, complex issues like competition law and the link between trade and environmental protection are already on the agenda for future negotiations. Dealing with these multiple demands sometimes strains the resources even of the United States, but no nation in the Western Hemisphere can afford to let the multilateral system decline.

The second principle, we recommend is that integrationist activity throughout Latin American be aimed at achieving economic integration on a hemispheric scale. In other words, integration should not be pursued as a Latin American or North American enterprise; far less should it be merely a sub-regional undertaking, covering only parts of Latin America. The reasons for this position are varied and powerful.

First, hemispheric integration promises greater economic benefits than integration on a smaller scale, whether regional or sub-regional. A hemispheric arrangement would include a varied set of national economies having a much greater degree of complementarity than any smaller grouping could provide. While differing market structures and levels of development may create difficult adjustment problems, economic complementarity is also a central characteristic of many successful regional groupings.[80] Hemispheric arrangements would also

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[79] Schott & Hufbauer, *supra* note 3, at 264.

[80] Complementarity is seen as a particular advantage of many sub-regional arrangements in Asia. *See* Kenneth W. Abbott & Gregory W. Bowman, *Economic Integration for the Asian Century: An Early Look at New Approaches*, 4 TRANSNAT'L L. & CONTEMP. PROB. 187, 193, 194-95, 198, 200-01 (1994).

provide greater opportunities for specialized intra-industry trade—the sort of economic activity that characterizes United States-European relations[81]—among the industrial sectors of nations like Chile, Argentina, Brazil, Mexico, the United States, and Canada. For both reasons, economic integration of hemispheric scope is likely to produce a larger degree of efficient trade creation relative to the degree of inefficient trade diversion than any narrower arrangements could provide. Apart from their obvious importance to the prosperity of the Americas, the beneficial economic effects of such large-scale integration would align hemispheric arrangements more closely with the global efficiency and welfare goals of the multilateral trading system.

A second set of reasons is political. Hemispheric integration would join together, in a community of common principles and institutions, nations and groups of nations that have in the past been suspicious, antagonistic, even hostile in their economic relations.[82] Such unity would be of significant benefit to Latin America, where economic, political and even military conflict have been long-standing facts of life. The most obvious effect of hemispheric integration, however, would be to join the Anglos of the North with the Latinos of the South, as NAFTA was able to do in North America. The process of integration across such political and ethnic divides is undeniably difficult, as Mexico and the United States are beginning to learn. But the benefits can be tremendous. After all, the core of the original European Economic Community was an attempt to link the traditional enemies France and Germany in common economic arrangements.

B. Assessment of Current Approaches

What, then, of the legal/political modalities by which the goals of hemispheric integration consistent with the multilateral system can be achieved? At present, the nations of the Hemisphere are following several different approaches. Each of these, however, presents serious

81 Jeremy Clegg, *Intra-industry Foreign Direct Investment: A Study of Recent Evidence, in* STRUCTURAL CHANGE IN THE WORLD ECONOMY 114 (Allan Webster and John H. Dunning eds., 1990); David Greenaway, *Patterns of Intra-Industry Trade in the United Kingdom, in* INTRA-INDUSTRY TRADE: EMPIRICAL AND METHODOLOGICAL ASPECTS 141 (P.K.M. Tharakan ed., 1983).

82 Even today, law students are taught the different attitudes of nations toward expropriation of foreign investment through the diplomatic correspondence of the 1930s between Secretary of State Hull and the Mexican government with regard to the Mexican expropriations between 1915 and 1940. *See* HENRY J. STEINER, DETLEV F. VAGTS & HAROLD HONGJU KOH, TRANSNATIONAL LEGAL PROBLEMS 455-65 (4th ed. 1994).

problems in light of our two principles for regional economic integration.

1. *Bilateral Agreements*

A number of nations in Latin America have been vigorously negotiating bilateral trade and investment agreements with other states in the region. We have already seen, for example, the bilateral agreement between Colombia and Venezuela within ANCOM, and the framework agreement designed to produce a series of bilaterals between the Central American states and Mexico. Chile, which currently belongs to no subregional grouping other than ALADI, has relied exclusively on a bilateral policy: Its free trade agreement with Mexico was the first such agreement under ALADI, and it also has bilateral commercial agreements with Brazil, Argentina, Venezuela, and Colombia.[83] Costa Rica has also pursued an active bilateral policy.[84] The champion in this regard is probably Colombia, which will have some two dozen bilateral economic agreements by the time this article appears.[85] In fact, according to one Latin American authority, there currently exist bilateral trade agreements "involving virtually every pair of countries within the hemisphere . . . ."[86]

The United States too has engaged in extensive bilateral negotiations with the nations of Latin America in connection with EAI. To date, these negotiations have focused on creating a series of "framework" agreements on trade and investment. As of 1993, the United States had entered into sixteen such agreements covering a total of thirty-one countries; most were bilateral, although one was with MERCOSUR and one with CARICOM.[87] The framework agreements, however, only set the stage and the agenda for further talks; they accomplish little of substance in the short run. Each agreement includes a statement of general principles, dealing with, for example, the benefits of open trade and protection for intellectual property. Each also establishes a Trade and Investment Council (TIC), chaired by the United States Trade Representative or his delegate. The TIC is a forum for general consultations—on matters relating to the Uruguay Round, for example—and for negotiations over specific trade

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83 Schott & Hufbauer, *supra* note 3, at 257, 259; Bernal, *supra* note 25, at 707.

84 Andrews, *supra* note 12, at 17-18.

85 Brooke, *supra* note 53, at D1.

86 Bernal, *supra* note 24, at 706.

87 *Department of Commerce Market Report on the Western Hemisphere: Enterprise for the Americas*, Nat'l Mkt. Rep., Jan. 15, 1993, *available in* LEXIS, World Library, Mktrpt File [hereinafter *Western Hemisphere: Enterprise for the Americas*].

and investment problems, as well as a way to monitor bilateral relations.[88]

Eventually, a complete network of bilateral agreements could lead to hemispheric integration in harmony with the multilateral system. But this approach has serious problems. For one thing, American states are not pursuing this approach at the same rate. Colombia may have many agreements, making it something of an economic hub among the spokes of its bilaterals, but cross-agreements among its treaty partners are being reached more slowly and unevenly. What is more, no guarantee exists that the bilateral negotiating process will produce consistent agreements, as would be necessary to create a hemispheric solution from a network of bilaterals.[89] Even the United States Bilateral Investment Treaty (BIT) program, in which the world's strongest economy prepared a model treaty and attempted to replicate it in bilateral negotiations, has produced inconsistencies; the differences between the United States BITs and those negotiated by European countries are even more significant.[90]

Finally, the bilateral treaty route to hemispheric integration is extremely complex, time-consuming and costly. Much as the Reciprocal Trade Agreements program of bilateral treaties was succeeded by the more centralized multilateral tariff negotiations of the 1947 Geneva Conference, at which the GATT was drafted, and ultimately by the more institutionalized negotiating forum of GATT itself, the scope and efficiency of hemispheric negotiations would be increased if the diffuse and complex system of bilateral agreements were replaced by a more centralized multilateral approach utilizing a common forum.

2. *Regional Groupings*

By far the most notable approach to integration in the Americas is the creation of regional and sub-regional groupings, the most important of which were described in Section II. At this stage, NAFTA is the best known and most advanced of the hemisphere's regional

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88 *Id.*

89 The United States government, under EAI, shares the goal of a hemispheric free trade area, and counts on bilateral as well as plurilateral agreements to accomplish this. The United States clearly understands, however, that such agreements will have to be made consistent in their coverage and terms with each other, with NAFTA, and with the multilateral trading system. *Id.*

90 *See, e.g.*, Herbert Golsong, Introductory Note to Argentina-United States: Treaty Concerning the Reciprocal Encouragement and Protection of Investment, Nov. 14, 1991, 31 I.L.M. 124 (1992) (discussing differences between United States-Argentina BIT signed in November 1991 and those signed by Argentina with European nations).

groups. In the South, the present groupings vary substantially in size and influence, geographic scope, ambitiousness of economic goals, political and administrative effectiveness, and attitudes toward expansion. ALADI, for example, is a broad but shallow grouping; though it includes virtually all of the major economies of Latin America, it has produced limited economic integration on its own, deferring to bilateral and sub-regional arrangements. NAFTA and MERCOSUR, on the other hand, have relatively limited memberships but aim for sweeping economic liberalization and integration. The economically powerful Group of 3 is explicitly structured and administered around the goal of geographic expansion, while the economically marginal CACM has a much more local vision.

Clearly, if one of these groupings were to expand through the admission of enough new members to encompass the entire Hemisphere, or if the various groupings were gradually able to consolidate, the current regional integration movement could be a route to a hemispheric solution. Many have hoped to see NAFTA follow the expansion strategy, gradually incorporating additional members from Latin America. The expressed United States interest in negotiating NAFTA affiliations with groups of states rather than individual countries has even raised the possibility that regional or sub-regional blocs could be admitted, or associated, as a unit.[91] ALADI adopts the consolidation strategy in its emphasis on convergence and progressive multilateralization among the various sub-regional groupings of Latin America; and a form of consolidation can be seen in the free trade zone agreed to by the G-3 and CACM. Another version of consolidation can be seen in the bilateral relationships that individual Latin American countries have formed with sub-regional groups. Chile's affiliation with MERCOSUR may take this form; another example is the CARICOM-Colombia FTA that helped pave the way for the formation of the ACS.

It will be very difficult, however, to achieve hemispheric integration through the expansion or consolidation of existing groups. Experience to date suggests that it takes a tremendous amount of time, effort and political will to successfully implement a regional economic arrangement, or even to create one. The difficulty that many Latin American organizations have had in adhering to their original schedules and attaining their original ambitions attests to this problem. Even a long-standing, well-defined organization like ANCOM has been unable to bring its own members along at the same rate. Ex-

91 *See Western Hemisphere: Enterprise for the Americas*, *supra* note 87.

panding and consolidating regional groupings will pose similar difficulties. Inconsistencies between blocs, like those mentioned above, will make consolidation and expansion all the more difficult. This problem may become even more severe over time, as the regimes of individual groups become more detailed and more deeply embedded in national policy and bureaucratic organization. Thus, even if all the American regional groupings were open to further expansion and liberalization, the process would likely be difficult, slow, and uncertain, especially with no institutional framework to help coordinate moves toward a hemispheric solution.

What is more, relatively few of the existing regional or sub-regional blocs could realistically serve as a base for hemispheric integration. NAFTA, because of its economic influence and the present expectations of many in Latin America, could certainly perform that function. But it is difficult to imagine the United States and Canada joining MERCOSUR, ANCOM, or the G-3, and even difficult to imagine NAFTA consolidating with one of those groups as equals to form a hemispheric entity. In any case, none of the Latin American organizations—not even expansionist groups like the G-3—aspires to be the cornerstone of a hemispheric arrangement.

The gradual expansion of NAFTA—an approach on which many in the Hemisphere are relying—is in many ways the best hope for the regional strategy. But even this approach is fraught with difficulty. For one thing, it seems clear that a substantial expansion of NAFTA will take many years, if indeed it takes place at all. The experience of Chile is instructive. Chile has been first in line to link up with NAFTA for several years. In May 1992, after Chile had negotiated the first bilateral debt reduction and the first investment sector loan under the EAI, President Bush announced the United States' intention to negotiate a comprehensive FTA with Chile, to be approved under fast-track procedures, as soon as NAFTA itself was concluded.[92] Yet at the time of this writing, with 1995 just around the corner, action on the Chilean FTA has not yet been taken and the fast-track procedure has lapsed, at least temporarily. Even the Bush Administration acknowledged that progress towards hemispheric free trade would likely take a decade or more to achieve.[93] The opposition that has since surfaced both to NAFTA and to the Uruguay Round accords suggest that even this forecast may have been optimistic.

[92] *See Western Hemisphere: Enterprise for the Americas*, *supra* note 87.
[93] *Western Hemisphere: Enterprise for the Americas*, *supra* note 87.

Quite apart from the political obstacles to expansion, the substantive requirements set by the United States for FTAs with or accession to NAFTA are at present simply too demanding for many Latin American states to consider. The Bush Administration identified several indicators of readiness that it planned to use in judging whether a particular country qualified for an FTA or NAFTA accession. These included, in addition to being a GATT member in good standing, whether a state was committed to a stable macroeconomic environment and market-oriented policies and whether it had already recorded progress in achieving an open trade regime.[94] (As Schott and Hufbauer observe, by the time these conditions are met, most of the benefits of an FTA will already have been achieved.)[95] Both Congress[96] and the Executive Branch[97] have since set out more detailed negotiating objectives for FTAs or NAFTA accession agreements that cover the entire range of economic issues dealt with in NAFTA—from tariff elimination to protection of investors to intellectual property protection, as well as non-traditional issues like environmental protection and worker rights—and require substantial concessions leading to a balance of rights and obligations on both sides.[98]

Perhaps the biggest problem with the expansion of NAFTA strategy is the absence of satisfactory procedures for dealing with Latin American countries and sub-regional groupings that are not yet ready to consolidate with NAFTA or that, like Chile are simply waiting for action. Such countries will remain in contact with the United States through its network of bilateral framework agreements. But there is no institutional forum or procedure through which they can continue to work with each other, and with the United States, toward the goal of hemispheric integration. While waiting for NAFTA, these countries will have to make do with the existing economic associations and the possibility that those groupings can expand or consolidate.

The danger of relying on the evolution of existing arrangements in Latin America, however, is that this approach could just as easily—indeed much more easily—leave the Hemisphere broken up into a patchwork quilt of regional and sub-regional blocs. It would be unfortunate if this kind of division were the ultimate result of all the effort

94 *See Western Hemisphere: Enterprise for the Americas*, *supra* note 87. An additional criterion was whether the state had the economic and institutional capacity to fulfill a serious, long-term economic commitment.

95 Schott & Hufbauer, *supra* note 3, at 251.

96 The North American Free Trade Implementation Act, 19 U.S.C. § 3317 (Supp. V 1993).

97 *Western Hemisphere: Enterprise for the Americas*, *supra* note 87.

98 *See Western Hemisphere: Enterprise for the Americas*, *supra* note 87.

devoted to integration in recent years. Outside of NAFTA, and perhaps also MERCOSUR (including Chile), virtually all of these blocs would be of substantially less than optimal size in an economic sense. The costs of doing business throughout the hemisphere would remain high, not only because of the remaining tariffs and other controls on international trade and investment, but also because of the inevitable differences among blocs in economic regulation, standards, and practices.

A collection of regional and sub-regional blocs would almost certainly entail greater conflict with the goals and procedures of the multilateral trading system than an arrangement of hemispheric scope. Perhaps most significant of all, a patchwork outcome would fall short of bridging the major political divides in the Hemisphere, particularly the North-South divide. Finally, an approach based on regional and sub-regional groups would provide no over-arching set of principles or institutions—save the Organization of American States (OAS), which to date has not played a prominent role in regional integration or other economic matters[99]—to facilitate further development toward a hemispheric solution.

3. *Continental Integration*

The economic integration of Latin America, or of South America alone, has been a powerful concept, even an ideal, for many years. This ideal inspired the formation of LAFTA in 1960, and it is the explicitly stated goal of LAFTA's successor ALADI today. As amended in 1967, the Charter of the OAS contains a commitment to accelerate the integration process, with a view to establishing a Latin American common market in the shortest possible time.[100] Due to the efforts of Colombia and Venezuela, even ANCOM—which for most of its life has had a narrow geographic perspective —now sees itself as part of a movement toward Latin American integration. MERCOSUR—in some ways the least continental of the major Latin American groupings[101]—has seriously considered a Brazilian proposal for the creation

99 *See generally* O. Carlos Stoetzer, The Organization of American States (2d ed. 1993).

100 Charter of the Organization of American States, April 30, 1948, art. 41, 2 U.S.T. 2394, 2424, 119 U.N.T.S. 4, 20.

101 The provisions of the Treaty of Asunción dealing with member state negotiations on economic integration outside of MERCOSUR itself are designed primarily to ensure that other members are not hurt by, and even benefit from, such external arrangements. These provisions have acted as a brake on broader negotiations by MERCOSUR members. *See supra* text accompanying note 32.

of a South American Free Trade Association (ALCSA in Spanish and Portuguese) by 2005.[102] In addition, the 1994 meeting of Ibero-American heads of state and government called for the creation of a Latin American free trade zone through consolidation of existing blocs.[103] Continental integration in North America is a more recent ideal, but one that is already reality, because of NAFTA. The continental scale and conception of this arrangement may create perceptual barriers to further expansion.

Integration on a continental scale would produce some of the same economic advantages of scope as a hemispheric solution. The benefits, however, would be substantially reduced if the economies of the United States and Canada were not integrated with those of Latin America. Furthermore, a continental approach would forego many of the political benefits of hemispheric integration. Even the process of preparing for integration on a hemispheric scale would produce important connections, expose common interests, build common institutions, allow for harmonization of perceptions and regulations and otherwise begin to build bridges between North and South. None of this would take place, however, if the attention of North and South America were focused on continental integration.

Indeed, continental integration might reinforce the currently eroding North-South gap by setting the two regions against each other as economic rivals, each with its own external barriers, rules of origin and other instruments of protection.[104] At this moment in history, however, when both North and South seem open to inter-continental integration to an unprecedented degree, this approach seems exactly contrary to that which circumstances demand.

4. *The Need for Alternative Approaches*

None of the approaches to economic integration currently being pursued in the Americas is well-suited to achieving the goal of hemispheric integration within a reasonable time. What is more, the more remote this goal remains—the more the nations of the Americas rely

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102 *See Chile Intends to Seek Membership in MERCOSUR, Foreign Minister Says*, *supra* note 27, at 911; *MERCOSUR Ministers Express Support for Trade Accord Covering All South America*, BBC Summ. of World Broadcasts, Mar. 15, 1994, *available in* LEXIS, News Library, Curnws File; *MERCOSUR Envisages Entry to NAFTA as a Bloc, Wider South American Integration*, BBC Summ. of World Broadcasts, Mar. 22, 1994, *available in* LEXIS, News Library, Curnws File.

103 William R. Long, *Latin American Leaders Fly in Formation*, L.A. TIMES, June 25, 1994, at A2.

104 Such a development would also make life very uncomfortable for Mexico.

on devices like bilateral agreements and sub-regional blocs—the more likely it is that American integration will conflict with the principles and rules of the multilateral economic system.

What, though, are the alternatives? It would be theoretically possible to move immediately to consideration of a Western Hemisphere or American Free Trade Area. Realistically, however, this option is clearly premature. Many nations in the Hemisphere have not yet attained the degree of internal liberalization and reform needed to participate in such an arrangement; in addition, given the current situation, a significant amount of groundwork would be necessary before such discussions could even begin. And at present, with the dominant emphasis on regional and sub-regional blocs, there does not even exist a hemispheric forum—other than the OAS—in which these issues can be addressed.

This seems to be a discouraging state of affairs. We believe, however, that encouraging lessons can be drawn from recent experiences with economic integration in Asia and the Pacific Basin. As in the Western Hemisphere, the rapidly growing nations of the Asia-Pacific region are experimenting with new forms of integration while continuing to support the multilateral system. Asia, too, wishes to reap the benefits of integration on an efficient scale; it too must deal with nations of vastly different size, structure, and level of development, as well as a growing number of sub-regional groupings, including ASEAN and several small "growth triangles."[105] Finally, the nations of the Pacific also hope to use economic integration to achieve significant political goals, such as keeping the United States enmeshed in Asia-Pacific economic affairs and defusing United States-Japan trade conflicts by embedding them in a context of regional cooperation.[106] The Asian experience demonstrates that, in an era of transition like that now prevailing in the Western Hemisphere, modest institutional modalities can be both workable and valuable steps on the path to more complete integration. The following section outlines how one such approach, manifested in the Asia Pacific Economic Cooperation forum, or APEC, might benefit the Western Hemisphere.

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105 The best-known growth triangle is an informal one, including Hong Kong, the Republic of China and the liberalized southern China provinces of Guandong and Fujian. Another successful triangle is made up of Singapore, the Malaysian state of Johor, and the Indonesian province of Riau. A growth triangle liberalizes the flow of trade and investment among its members and also acts as a joint base for foreign investment; both developments lead to the creation of a small integrated market that spans several countries, while often, as the above examples suggest, ignoring national boundaries. *See generally* Abbott & Bowman, *supra* note 80, at 192-206.

106 Abbott & Bowman, *supra* note 80, at 212, 216-17.

IV. An American Forum for Economic Cooperation

APEC was formed in 1989.[107] The government of Japan played a significant role in originating the concept, but Australia took the lead in calling together twelve nations of the Asia-Pacific region to found the organization.[108] Membership has since been expanded, both within Asia proper[109] and within the Western Hemisphere. Mexico became a member of APEC in 1993, during the summit meeting of Asia-Pacific heads of government held in Seattle, Washington; Chile was admitted to membership at the November 1994 summit meeting in Jakarta, Indonesia. Since the United States and Canada are original members, APEC already spans North America and Latin America and is familiar throughout much of the Hemisphere.

APEC is an unusual international organization. To date, at least, it has remained informal, with no written treaty or other constitutive document spelling out institutional structures, rules or procedures. In addition, APEC is institutionally decentralized. Although it has a small permanent secretariat, there is no central decision making body. Rather, the members of APEC reach agreement by consensus, with decisions implemented directly or through informal working groups staffed by APEC members.[110] Because it effectively gives each member a veto power, this structure makes aggressive action by APEC unlikely. Indeed, APEC as an organization is not an independent actor; it can do nothing that is not supported by a consensus of its members. APEC's value, then, is as a forum for consultation. Its informal and consensual nature encourages broad membership in the organization: Few if any governments see APEC as a threat to sovereignty.

Another important structural feature, from the point of view of the Western Hemisphere, is that the members of APEC have agreed that it will not supersede or have any formal role in any of the other regional or sub-regional organizations within the Asia-Pacific region. Such organizations include the Pacific Economic Cooperation Confer-

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107 *See* Abbott & Bowman, *supra* note 80, at 208-25 for a more detailed discussion of APEC.

108 The twelve original members were Brunei, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, Australia, Canada, New Zealand and the United States. *APEC Meeting in Singapore Said to Establish Group as Major Forum for Region's Interests*, 7 INT'L TRADE REP. (BNA) 1245 (Aug. 8, 1990).

109 The three Chinas—the People's Republic of China, Hong Kong, and the Republic of China (referred to within APEC as Chinese Taipei)—were admitted in 1991. *Fact-Sheet: Asia-Pacific Economic Cooperation (APEC)*, 4 DEP'T ST. DISPATCH 555 (1993). Papua New Guinea was admitted in 1993. *Asia-Pacific Leaders Make Commitments to Freer Trade, GATT, Another Meeting*, 10 INT'L TRADE REP. (BNA) 1978 (Nov. 24, 1993).

110 Abbott & Bowman, *supra* note 80, at 213-15.

ence (PECC)[111], the Association of South East Asian Nations (ASEAN), the East Asian Economic Caucus, and NAFTA. Instead, APEC will attempt to coordinate its activities with those of the latter organizations.[112] PECC, for example, has already established a complementary role: PECC task forces, which concentrate on specific areas of economic cooperation in the region, are participating in APEC's working groups, and PECC itself has become an observer at APEC meetings.[113]

What could be gained by establishing such an apparently toothless organization within the Western Hemisphere? We submit that an organization modeled on APEC could help the nations of the Americas make significant progress toward economic integration on a hemispheric scale, consistent with the norms of the multilateral system, while helping to avoid some of the pitfalls of the approaches currently being followed. Such an organization might be called the American Forum for Economic Cooperation, or in Spanish, Foro Americano por la Corporación Económica (FACE). FACE would serve several important functions.

First, FACE's mere existence would have important symbolic consequences. While symbols are not actions, their political effects should not be underrated.

(a) The existence of FACE would symbolize the whole of the Americas, the Western Hemisphere, as the relevant region for the consideration of economic cooperation, including economic integration. This symbolism might not be as important as in the case of APEC. There, formation of the organization actually helped cement the identity of a distinct Asia-Pacific region; in the Western Hemisphere, the OAS and the other elements of the inter-American system already serve that function. It is far from clear, however, that the Western Hemisphere is seen as the relevant unit for purposes of eco-

111 PECC was formed in 1980. It has a different, and in some ways broader, membership than APEC. For example, its members include Russia and Peru. PECC is also a consultative organization, but involves both the public and private sectors. Member state delegations include scholars and business people as well as government officials, and even they attend in their personal capacities. PECC has not evolved into a stronger organization, as its founders hoped it would. Currently, PECC's main activity is sponsoring task forces that study particular economic problems and make recommendations to member governments. *See* Abbott & Bowman, *supra* note 80, at 206-08.

112 *See* Abbott & Bowman, *supra* note 80, at 214.

113 *Fact Sheet: APEC Working Groups*, 4 DEP'T ST. DISPATCH 837 (1993) (Tourism Working Group); *see also* Donald Crone, *Does Hegemony Matter? The Reorganization of the Pacific Political Economy*, 45 WORLD POL. 501, 523 (1993).

nomic cooperation; as discussed above, most activities in this area have taken place on a sub-regional or continental basis.

(b) Membership in FACE would symbolize the member states' commitment to cooperation and integration on a hemispheric scale. Currently, economic cooperation in the Western Hemisphere is threatened by a series of centrifugal forces. The United States is preoccupied with domestic problems and regularly distracted by foreign policy crises around the globe. Mexico is adjusting to its new role in NAFTA, while dealing with pressing domestic problems of its own. The members of the sub-regional economic organizations in Latin America are preoccupied with their own local legal, economic and political problems. Participation in FACE would tangibly engage the reputations of all these states in support of the hemispheric ideal, making it more difficult for them to ignore it in their actions on economic policy.

(c) FACE would symbolize the equality of nations in the Hemisphere. By organizing FACE as a decentralized, consensual body, each member state, regardless of size, would be treated as an equal partner. Equality of membership would stand in contrast not only to the more or less exclusive subregional organizations but also to the bilateral United States framework agreements, which tend to function as fora in which representatives of the United States set standards for and make demands upon the smaller states of Latin America. A structure of equality might slow progress in the short run, but it would lay a much stronger foundation for hemispheric economic unity in the long run.

Second, in addition to its symbolic importance, FACE would provide an ongoing institutional framework within which the nations of the Americas could work toward hemispheric integration. At first, FACE might serve as a forum for the exploration of common interests and the development of formal or informal modes of cooperation. As broader hemispheric relations developed, FACE could become a hemispheric forum for more substantive negotiations on the modalities of integration. In the meanwhile, FACE might also allow economic disputes within the Hemisphere—particularly North-South disputes—and conflicts between sub-regional organizations to be dealt with quietly in a common institutional context, informed by common interests and principles.

Third, a broad, hemispheric organization like FACE could embody a set of integrative, cooperative principles, probably quite general at this early stage, within which its members would agree to work.

A FACE statement of principles might establish the goal of broader hemispheric integration; encourage liberalization of trade, technology transfer, and investment; discourage regional groupings from taking measures that would impede hemispheric integration, while encouraging them to consolidate or cooperate in other ways; and set out the ultimate economic goals toward which its members should aspire.

On the latter point, APEC is a unique and important precedent, because it has adopted the principle of "open regionalism": working toward liberalization and greater integration inside the region while at the same time attempting to lower barriers to trade and investment with the rest of the world.[114] This concept is completely at odds with traditional Latin American approaches, like the early ANCOM integration program that envisioned the Andean Group as a distinct, well-defined market within which trade could be liberalized and industries allocated, while trade and investment with the outside world were strictly controlled. In APEC, open regionalism was adopted for two principal reasons: First, because of the risk that more exclusive forms of integration might lead Western nations to respond by closing their markets to the products of the export-dependent Asia-Pacific economies, and second, to attract much-needed investment from developed countries.[115] Both of these rationales are equally applicable to the rapidly growing economies of Latin America. What is more, the concept of open regionalism would go a long way toward keeping Western Hemisphere economic integration consistent with the multilateral system. Indeed, as the APEC Eminent Persons Group put it, "any regional enterprise governed by the principle of open regionalism will, by definition, be a building block for and contribute to a freer global economy."[116]

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114 *See, e.g.*, NORMAN D. PALMER, THE NEW REGIONALISM IN ASIA AND THE PACIFIC 2-5 (1991); Peter Drysdale & Ross Garnaut, *The Pacific: An Application of a General Theory of Economic Integration*, *in* PACIFIC DYNAMISM AND THE INTERNATIONAL ECONOMIC SYSTEM 183, 186 (C. Fred Bergsten & Marcus Noland eds., 1993); *Declaration on an APEC Trade and Investment Framework*, 4 DEP'T ST. DISPATCH 832 (1993) (joint statement of APEC leaders at Seattle summit, proclaiming determination to work through APEC toward the further development of open regionalism and market-driven economic interdependence in the Asia Pacific region) [hereinafter *Declaration on APEC*]. *See also* APEC, ACHIEVING THE APEC VISION: FREE AND OPEN TRADE IN THE ASIA PACIFIC 2-3, 29-35 (1994) (Second Report of APEC Eminent Persons Group).

115 Abbott & Bowman, *supra* note 80, at 211, 215-16.

116 APEC, *supra* note 114, at 2-3. *See Declaration on APEC, supra* note 115, at 832 (trade liberalization must be made through consultation in a manner consistent with the principles of GATT and open regionalism); Abbott & Bowman, *supra* note 80, at 222 (open regionalism a potentially important contribution to multilateral system).

Fourth, FACE would provide a setting in which member states could seek to persuade, and even subtly pressure, others to conform to the principles of the organization, including open regionalism. Through such an interactive dialogue, FACE could be a moderating and integrative influence on developments within the Hemisphere, including both North and Latin America. This influence could affect both individual states, as members of FACE, and the various regional and sub-regional economic organizations in the Western Hemisphere. Although neither FACE nor these organizations would have any official role in each other's affairs, this separation would be wholly artificial, since the same states would be members of both. In effect, then, FACE would function as an institutional matrix, bringing together the states and economic organizations of the region for an ongoing dialogue informed by common principles.

Fifth, FACE could establish a concrete work program that would strengthen the foundation for hemispheric integration. Again, APEC provides a precedent. Its working groups try to eliminate barriers to economic activity and reduce the transactions costs of doing business in the Asia-Pacific region. Because of the informal, consensual nature of the organization, however, the working groups eschew politically charged issues and focus on technical matters. For example, APEC groups are currently working to promote the exchange of trade and business information among its members, increase the efficiency of energy use in the region, improve regional transportation networks, and modernize telecommunications systems.[117] Interestingly, the OAS Charter refers to similar programs in connection with economic integration, mentioning technical and financial cooperation in general, and referring specifically to coordination of transportation and communications.[118] Programs like these, while technical in nature, could be quite significant and would be an important way to advance regional integration without external barriers.

Sixth, FACE could help coordinate the collection, generation and dissemination of information, both about the kinds of problems that face businesses in the region and about member state policies and actions. This kind of information would greatly improve the ability of FACE itself and of its member states to address the real economic issues of the region. Some of the problems discovered will be techni-

117 Abbott & Bowman, *supra* note 80, at 220 n. 141.

118 Charter of the Organization of American States, *supra* note 96, 2 U.S.T. at 2424, 119 U.N.T.S. at 20, 23. The Charter also calls for the development of multinational development projects. 2 U.S.T. at 2424, 119 U.N.T.S. at 22.

cal; they can be approached through harmonization or other procedures in working groups. Others will be political; these can be discussed preliminarily within FACE, laying the groundwork for more substantive negotiations on integration. In all cases, better information will improve the ability of FACE to function as a forum for dialogue and jawboning.

As an informal organization, FACE could be set up quite quickly and easily once states agreed on its value. Its members would not need to divert energy from other pursuits to negotiate the details of a FACE treaty. FACE would not entail significant additional costs. It would be highly desirable to establish some form of secretariat for the sake of efficiency and symbolism alike, but elaborate central institutions would be unnecessary, indeed counter to the nature of the organization. Although the OAS has not previously been a major player in matters of regional integration, that organization might be willing to perform all or some of the functions of a FACE secretariat, especially since the new Secretary General of the OAS, Cesar Gaviria Trujillo, former President of Colombia, has been a strong supporter of regional integration.[119]

V. Conclusion

The nations of the Western Hemisphere are presented with a unique set of circumstances, more conducive to the economic integration of the hemisphere than at any time this century. This is an opportunity that should not be missed, for both economic and political reasons. Yet it is by no means certain that the opportunity will continue to be available indefinitely. It is important, then, to take cooperative action, to do so at the hemispheric level, and to do so with dispatch. As in all areas of international cooperation, the best way to structure cooperative relationships so that they can withstand the inevitable centrifugal forces of domestic and international politics is through the creation of an ongoing international institution.

In the case of the Americas, however, hard political and economic realities intrude. With large disparities in level of development and political stability, the nations of Latin America are not equally ready for economic integration; some will not be ready for many

119 *See* María Isabel García, *Americas: A Gaviria Victory Could End Cuba's Isolation*, Inter Press Service, Mar. 26, 1994, *available in* LEXIS, News Library, Curnws File; *Ibero-American Summit; Colombian President Criticises Agricultural Protectionism in Developed Countries*, BBC Summ. of World Broadcasts, July 19, 1993, *available in* LEXIS, News Library, Curnws File (asserting his belief that regional integration can help end poverty and unemployment).

years. A hemispheric organization, then, cannot require too much at the outset, yet must be structured to nurture liberalization, harmonization and the ideal of hemispheric integration, probably for some time. None of the institutions already in existence are appropriate for this role.

Viewed as a single institution, NAFTA and the related process of affiliation or membership is too demanding in the short run and does little to nurture integration in the long run. The United States framework agreements supplement NAFTA and are designed to perform this very function, but they are too one-sided and insufficiently hemispheric in their orientation to be fully satisfactory. None of the other regional and sub-regional organizations in the Americas are designed to achieve hemispheric integration; at best they aspire to continental scale. The OAS could be the answer, but its experience in economic integration is limited, and it is viewed in many circles as an unnecessarily large and costly bureaucracy.

The organization we propose is designed to reconcile these conflicting demands. We do not wish to oversell what FACE could accomplish, however: It could move no faster than the economic restructuring and political will of its members would allow. Yet FACE would manifest and serve as the locus of a concrete process of hemispheric integration, informed by common principles, in which all nations of the Americas could participate and in which all would be committed to participate. Especially considering the ease and low cost with which it could be established and maintained, such an organization would make an important contribution to the economic future of the Western Hemisphere.

ADDENDUM

The Summit of the Americas

After this Article was written, but before it could be published, the Summit of the Americas was held in Miami on December 9-11, 1994. The leaders of all the democratically elected governments in the Hemisphere adopted a Declaration of Principles (Declaration) and a Plan of Action (Plan).[1] These documents reflect highly significant decisions on the economic integration of the Hemisphere, and include

1 Declaration of Principles and Plan of Action, Dec. 13, 1994, *available in* NEXIS, News Library, Drexel File. Declaration and Plan are also reprinted in BUSINESS AMERICA (December 1994), the journal of the U.S. Dep't of Commerce International Trade Administration.

broad undertakings on the development of democracy, the eradication of poverty and discrimination, and environmental protection.

In the economic area, the highlight of the Summit was a commitment to begin immediately to construct a Free Trade Area of the Americas (FTAA), under which barriers to trade and investment would be progressively eliminated throughout the Hemisphere and common standards on such matters as unfair trade practices, intellectual property protection and competition policy would be established by agreement. The Plan set in motion a series of consultations and an initial program of research and scheduled two follow-up ministerial meetings for 1995 and 1996. The leaders resolved to complete the FTAA by the year 2005, and to achieve concrete progress by the turn of the century.

The Summit documents embrace most of the themes espoused in this Article, including the two broad principles we propose to guide economic policy in the Americas: primacy of the multilateral system and integration on a hemispheric scale. The economic section of the Plan begins with a pledge of support for multilateral rules and disciplines, calling for rapid implementation of the Uruguay Round agreements and continuing negotiations in the World Trade Organization and other fora; and it envisions free trade and economic integration throughout the Americas. The principal disappointment in this regard is the failure of the Summit documents to embrace the policy of open regionalism prominent in APEC. The FTAA is apparently conceived of as a discriminatory free trade area, one that will not raise barriers to trade and investment with non-members but that will not lower them either, except through multilateral negotiations.

Our Article suggested that it would be premature to move immediately to hemispheric free trade and economic integration, both because of the differences among the American states in their levels of development and liberalization and because of the amount of preliminary work needed. Against this background, the decision to commit to the creation of the FTAA by a specific date was something of a surprise. In essence, however, the Summit leaders agreed with our position, setting a target date a full ten years hence and recognizing that most concrete steps toward integration would take place during the second half of that period.

The Article also suggested that, in the interim, important progress toward eventual integration could be made through programs to gather, evaluate and disseminate information; exploratory consultations and negotiations; and practical work programs. The Summit documents also focus on these three tasks.

First, the Plan calls for a program of research about the commonalities and differences in existing subregional arrangements and other relevant, though undefined, regional data. This research is entrusted to the OAS Special Committee on Trade, with support to be sought from the Inter-American Development Bank and the United Nations Economic Commission for Latin America and the Caribbean.

Second, the Plan calls for inter-state consultations, beginning immediately. These discussions are also intended to consider the existing agreements in the Hemisphere, but here the focus is to be on ways of improving the existing disciplines and "bringing them together."[2] As a strategic matter, this suggests that the leaders are envisioning a process whereby increasingly harmonized sub-regional arrangements are eventually merged into a single FTAA.

Third, the Plan sets out work programs in several important areas. The greatest attention is given to infrastructure development and energy policy. The energy work program is to be integrated with the Partnership for Sustainable Energy Use, one of several Partnerships—each of which is actually a series of commitments and a work program—focusing on environmental protection. (As this suggests, the Summit documents are notable for their effort to consider economic and environmental policies simultaneously, and to make them "mutually supportive."[3]) At this stage, most of the work programs are quite general; one would hope that consultations lead to more specific cooperative projects.

The principal differences between the decisions taken at the Summit and the recommendations of this Article, then, concern the institutional framework for Hemispheric integration. The thesis of our Article was that the process of integration would be most effectively pursued through an institution that was hemispheric in scope and dedicated to hemispheric economic issues, like APEC in the Asia-Pacific region. The Clinton Administration, however, took a different approach. According to Lawrence Summers, Under Secretary of the Treasury for International Affairs, who coordinated the economic aspects of the Summit, "The Administration thought it was best to avoid the proliferation of organizations and to rely on existing institutions to

[2] Plan, part II, section 9, "Immediate Action Agenda."

[3] Plan, part II, section 9(2).

work for the economic integration of the Hemisphere. This approach was supported by other governments."[4]

Under the Plan, the integration process will be pursued in three institutional fora, or groups of fora. First, as noted above, the OAS Special Committee on Trade is to conduct research with the aid of other institutions. The Committee is a hemispheric body, but not a particularly prominent or powerful one, and its tasks appear to be largely ministerial. Second, consultations on blending current subregional arrangements are to be held, at least initially, "under existing trade and investment fora."[5] The existing fora, however, are mainly the bilateral United States Trade and Investment Councils and the governing bodies of the various subregional groups, which our article suggests are not particularly appropriate venues for issues of hemispheric significance. Third, overall guidance for the process is to come from meetings of the hemisphere's trade ministers; two meetings are already scheduled. Ministerial meetings are hemispheric and powerful, but they are also ad hoc; they do not create the sense of commitment and permanence that a dedicated forum could provide.

The need for an institutional framework like that which we recommend stems from the importance and complexity of the process of integration and the fragility of the commitment to liberalization in some countries of the Americas. A dedicated hemispheric forum would signify commitment and give visibility and continuity to the process. The many symbolic and practical advantages of such an arrangement are spelled out in detail in the Article. While the Summit has produced many praiseworthy accomplishments, we continue to believe that better institutional approaches are available. As the process of integration proceeds, moreover, the need for such approaches may become even greater. We continue to urge the leaders of the Hemisphere to consider alternative forms of institutionalization, and we would not be at all surprised to see institutional forms like those we recommend emerging before 2005.

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[4] Letter from Lawrence H. Summers to Professor Kenneth W. Abbott, (Dec. 20, 1994) (on file with author).

[5] Plan, Part II, section 6.