ECONOMIC INTEGRATION IN THE AMERICAS: AN UNFINISHED AGENDA

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Executive Summary

- Since the 1990s, trade integration has led to cooperation among Latin American and Caribbean nations, which has in turn created trust, cross-border networks and demand for further openness. These interactions have solidified alliances and spurred efforts to solve problems in areas as varied as infrastructure projects, environmental protection, security and democratic governance.

- Latin America and the Caribbean, however, are shifting toward a new form of regionalism, which is recalibrating integration in the hemisphere.

- The United States appears less enthusiastic about trade agreements, although recent free trade agreements (FTAs) with Colombia and Panama are important steps forward. In addition, some governments in Latin America, pressured by a public backlash against globalization, are turning their backs on open trade policies.

- On the other hand, 11 countries on the Pacific side of the Americas formed the Pacific Basin Forum in 2007 and are working to unify their trade agreements. A smaller group called the Pacific Alliance, composed of Mexico, Colombia, Chile and Peru, is accelerating the process of convergence to create a seamless accumulation of production, which would allow countries to import intermediate goods from within the bloc while satisfying the rules of origin requirements.

- The recent global economic downturn has accentuated the importance of trade and economic integration as engines of growth and development in the Americas.

- Exports have served as a countercyclical force in the region's economies, propelling growth and economic stability.

- The region's need for economic growth calls for closer trade integration and liberalization that goes beyond trade agreements. Measures that facilitate doing business across borders, such as improving customs, logistics and infrastructure, as well as building relationships with consumers in foreign markets and multinational firms, are essential.

The Context

The recent global economic downturn has accentuated the importance of trade and economic integration as engines of growth and development in the Americas. As was true in past times of turmoil, exports have served as a countercyclical force in the region's economies, propelling growth and economic stability. Further connecting countries via trade would help to set the entire region on a more prosperous plane and ignite cooperation in other areas.

Since the 1990s, countries of the Americas have pursued a multi-tiered trade liberalization strategy composed of unilateral opening; regional trade agreements (RTAs), which

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include free trade agreements (FTAs), customs unions (CUs), and common markets (CMs); and multilateral trade liberalization (WTO). With the Doha Round negotiations at a standstill, however, countries in the region have opted to place greater emphasis on regional and bilateral trade agreements. Within Latin America and the Caribbean (LAC), leaders in Mexico and Chile, and more recently Peru, have been spearheading free trade agreement expansion in the region. For these countries, the bulk of trade is regulated by such agreements: a full 87 percent of Chile's total trade during 2010 was with trade agreement partners (both intra- and extra-regional); for Mexico, the figure is 79 percent.[1]

The drift toward regional trade agreements and preferential trade agreements (PTAs) contrasts with the sentiment and momentum of just two decades ago. In 1990, President George H. W. Bush floated the idea of a free trade area that would stretch "from Alaska to Tierra del Fuego," which was later outlined under the vision of the Free Trade Area of the Americas (FTAA). In 1994, the United States, Canada and 32 LAC[2] countries hoped to negotiate an all-embracing FTAA by 2005.

Fast-forward to the present: the mood has changed. The United States appears less enthusiastic about trade agreements, although recent FTAs with Colombia and Panama are important steps toward further integration with LAC countries. Mercosur gave priority to multilateral liberalization under Doha. Meanwhile, some governments in Latin America, pressured by public backlash against globalization, are turning their backs on open trade policies.

However, there are new potential success stories as well. In 2007, 11 countries on the Pacific side of the Americas formed the Pacific Basin Forum (in Spanish, ARCO) and are working to unify their trade agreements. A smaller grouping (Mexico, Colombia, Chile and Peru), under the name of Pacific Alliance, is trying to accelerate this process of convergence among themselves (with recent interest from Costa Rica and Panama) to create seamless accumulation of production, which would allow countries to import intermediate goods from within the bloc and still satisfy rules of origin requirements. The Pacific Alliance, formally established in a Presidential Summit in 2012, will go beyond traditional trade in goods, exploring financial integration mechanisms, labor mobility, trade facilitation and customs cooperation, among others. Both Mexico and Central America are also requesting accumulation of origin in their agreements with the European Union. This would promote closer business linkages between Mexico and Central America by allowing cross-border production without violating rules of origin, and would help those countries capitalize on European markets. Further, U.S. President Barack Obama recently unveiled initiatives to enhance regional integration in areas such as education exchanges, support for small and medium enterprises (SMEs), and broadband connectivity at the Sixth Summit of Americas, held in Colombia in April 2012.

The global financial crisis of 2008-2009 presented another potential turning point in trade policy in Latin America. While the region weathered the crisis relatively well, average annual growth rates in LAC are still projected to have slowed to 3.2 percent for the period 2009-2013, compared with the annual average of nearly 6 percent during the 2003-2007 period. Europe, one of LAC's major traditional trading partners, faces a period of prolonged economic stagnation. Just as the 1929 crisis led to more activist states in the region, and the 1982 debt crisis triggered wider-scale adoption of the Washington Consensus,[3] the ongoing global downturn will likely lead to rethinking the models of economic development and global engagement.

This paper focuses on the shift toward new regionalism in the Americas. By first contrasting "old" and "new" regionalism, this paper will then consider the evolution of regionalism in LAC and the challenges of recalibrating hemispheric integration.

Trends in Economic Integration in Latin America and the Caribbean

Latin America and the Caribbean (LAC) encompass diverse countries in terms of population, economic size, geography, stage of development, and linguistic roots, as well as ethnic and cultural backgrounds. In 2010, the LAC region accounted for about 8 percent of world population, and contributed about 7 percent of world GDP. When the United States and Canada are included, the hemispheric share of the world economy rises above 35 percent.

Currently, Latin America is well integrated into the international trading system—a significant shift from the past. Latin America and the Caribbean accounted for 6 percent

Figure 1: Intraregional Trade (share of exports), 2010

(Percentage point changes from 1990 in italics; bold cells are intra-regional trade flows)

EXPORTING REGION	DESTINATION: LAC	MERCOSUR	NAFTA	CARICOM	CACM	US+ CAN	EU-27	ASIA PACIFIC	ASEAN
LAC	**18.1**	7.0	41.0	1.1	1.5	40.0	12.0	14.1	1.6
Δ from 1990	*7.1*	*2.0*	*-0.8*	*0.0*	*0.1*	*-0.8*	*-12.7*	*4.4*	*0.1*
MERCOSUR	28.6	**15.5**	11.7	1.4	0.4	9.9	20.2	23.0	3.7
Δ from 1990	*11.5*	*6.6*	*-12.3*	*0.9*	*0.1*	*-12.2*	*-12.7*	*9.8*	*0.6*
NAFTA	15.8	2.7	**48.3**	0.6	1.1	40.7	14.8	18.3	3.9
Δ from 1990	*5.5*	*1.3*	*6.6*	*-0.1*	*0.5*	*4.3*	*-6.8*	*-3.1*	*0.2*
CARICOM	27.3	2.0	47.4	**17.8**	1.3	46.9	12.8	1.6	0.3
Δ from 1990	*12.9*	*1.1*	*1.8*	*6.3*	*1.2*	*1.3*	*-7.1*	*-0.1*	*0.2*
CACM	37.7	0.3	45.0	1.4	**24.0**	41.5	10.4	6.5	1.4
Δ from 1990	*14.7*	*0.1*	*-0.8*	*0.1*	*8.1*	*-2.3*	*-14.5*	*2.7*	*1.0*
US + CAN	17.6	2.8	41.3	0.7	1.1	**32.1**	16.8	21.4	4.6
Δ from 1990	*7.1*	*1.4*	*1.1*	*0.0*	*0.5*	*-2.5*	*-5.2*	*-0.8*	*0.7*
EU-27	2.3	1.0	7.7	0.1	0.1	7.1	**64.4**	7.9	1.6
Δ from 1990	*0.9*	*0.6*	*-0.4*	*0.0*	*0.0*	*-0.6*	*-2.3*	*2.1*	*0.1*
Asia Pacific*	4.7	1.4	15.8	0.2	0.1	14.7	14.3	**48.4**	14.4
Δ from 1990	*2.5*	*1.1*	*-11.3*	*0.0*	*0.1*	*-11.8*	*-3.4*	*9.1*	*2.4*
ASEAN	2.6	0.7	9.9	0.2	0.1	9.4	10.7	61.2	**25.9**
Δ from 1990	*1.7*	*0.6*	*-11.0*	*0.1*	*0.0*	*-11.3*	*-5.4*	*11.2*	*7.0*

* Asia Pacific group consists of 10 ASEAN countries plus Australia, China, Hong Kong, Japan, Korea, New Zealand, and Taiwan.

Source: Author's calculation based on U.N. COMTRADE data (2012)

of world merchandise exports and 3 percent of world services exports in 2010. Beginning in 1990, trade openness expanded significantly. While merchandise trade as a share of LAC GDP nearly doubled during the 1990-2007 period, reaching 40 percent of regional GDP before tapering to 34 percent by 2010, nearly all of the countries in the Americas are net importers.[4] Overall, the regional balance of trade reached a $12 billion deficit in 2010.[5]

The growth of LAC exports to the United States has slowed in recent years, from an annual average of 19 percent in the 1990s to 6 percent during the 2000–2010 period. At the same time, countries have forged more trade agreements with one another and intensified regional efforts on trade facilitation. As a result, most LAC countries—especially smaller economies, which experience disproportionate effects on their trade from trade agreements—have seen their regional bias, measured by the share of regional trade, increase since the early 1990s.

Intraregional trade flows seem small compared to total exports in Latin America and the Caribbean, reaching 18 percent in 2010. The depth of intraregional integration also pales in comparison with other regional blocs with higher ratios, such as the European Union (64 percent), Asia Pacific (48 percent) and Association of Southeast Asian Nations (ASEAN, 26 percent) (see Figure 1).

However, more recently, intraregional trade in the LAC region has been very dynamic, rising to 18 percent of the total in 2010, an increase of 7 percentage points from 1990.[6] Sub-regional trade has also grown rapidly.

Journey Toward Hemispheric Integration

The origins of hemispheric integration date back to the 1950s, when the first set of agreements were made under the Latin American Free Trade Association (LAFTA). LAFTA focused on inward-looking protectionist schemes and supporting import substitution policies being implemented by Latin American countries. Other summits in the Western Hemisphere were convened more than a generation ago, in the context of the Cold War in 1956 and 1967. These focused on the size and shape of U.S. aid programs and the relationship between trade preferences and immediate security concerns.[7] Since World War II, the intellectual climate and objectives for hemispheric cooperation have shifted. Throughout the period of "Old Regionalism"—from 1950 to 1975—regional agreements such as the Central American Common Market, Andean Pact, or the Caribbean Community and Common Market (CARICOM), initiated the pathways for developing a common market, but implementation was at times incomplete.

Since the late 1970s, Latin America has undergone a process of political transformation—from authoritarian to democratic regimes—which paralleled economic reforms. During the democratic transformation in the region, which Huntington identified as part of the global "third wave" of democratization, the number of democratic LAC countries increased from three in early 1978 to 15 democracies or semi-democracies in 1992.[8] The United States re-engaged the region with a bipartisan consensus of promoting democracy. After the late 1990s, the pattern has been mixed, with some advances and setbacks, but continues strong, with the number of electoral democracies reaching near 100 percent. On the economic side, the debt crisis in the 1980s encouraged countries to replace import substitution and active state intervention. In the 1990s, the hemisphere moved decisively away from trade as aid toward adopting trade liberalization, structural reforms, and privatizing state owned enterprises.

1994 and the Road to Regional Integration

The momentum toward building regional democracy and implementing market-based policies reached its apex during the Summit of the Americas in Miami in December 1994. Unlike the previous Cold War era summits, the 1994 Miami Summit provided a unique forum to establish a common agenda for trade and social issues among democratically elected leaders in the hemisphere. The Miami Summit renewed aspirations for achieving hemispheric integration beyond post-World War II security pacts. Most were also implementing structural reforms and fiscal responsibilities embodied in the Washington Consensus.

In fact, 1994 is a year to remember in the history of regional integration in LAC. That year, a menu of options opened up for LAC to decide the course of economic integration in our region. First, the launching of the FTAA negotiations during the Miami Summit. Second, the successful negotiation of NAFTA as the first modern North-South FTA among the United States, Canada and Mexico. Third, the customs union agreement in Mercosur. And fourth, at the multilateral level, the conclusion of the Uruguay Round. All of these were completely different models of integration—potentially complementary but in practice representing different paths toward integration. I have called this the "Italian" menu of integration: (a) the "pizza" menu, or an homogenous model for the whole hemisphere (FTAA);[9] (b) the "ravioli" menu, or the subregional model of integration with deeper integration pursued under the traditional blocks (Mercosur, Central America, Andean, and Caribbean groupings); and (c) the "spaghetti" menu, or the expanding web of bilateral agreements based on the NAFTA model of integration. We all know by now that the most preferred choice was the "spaghetti bowl" of multiple and overlapping FTAs that have been signed and implemented since the mid-1990s among countries in the region, and later on with partners in Europe and Asia. Most recently, a new item was added: the so-called "lasagna" menu, under which this spaghetti bowl is being flattened out into lasagna through a process of harmonization and convergence among existing agreements (i.e., the Pacific Alliance). Figure 2 lists the intraregional and extra-regional FTAs in force, under implementation, or proposed.

Most of the bilateral and regional PTAs in the Western Hemisphere were modeled under the original NAFTA blueprint, although some include more comprehensive provisions for goods, services, and investment—with also-increased provisions for beyond-border integration, such as government procurement, intellectual property rights, competition policy, and dispute settlement mechanisms. Post-2002 PTAs include even deeper disciplines with greater transparency and economic integration measures. For example, the Canada-Chile PTA includes provisions to eliminate anti-dumping and substitute safeguard disciplines.

There is another structural change in recent times, as demonstrated in Figure 2, with LAC countries increasingly focusing on trade with Asia. The volume of trade between LAC and Asia has grown six-fold since 2000, reaching

Figure 2: FTAs Involving LAC Countries

	FTA Name	Yea of Entry into Force
IMPLEMENTING	Central American Common Market (CACM)	1961
	CARICOM	1973
	Andean Community	1988
	Southern Common Market (Mercosur)	1991
	North American Free Trade Agreement (NAFTA)	1994
	Bolivia - Mexico	1995
	Colombia - Mexico (formerly G-3)	1995
	Costa Rica - Mexico	1995
	Chile - Mercosur	1996
	Bolivia - Mercosur	1997
	Canada - Chile	1997
	Mexico - Nicaragua	1998
	Chile - Mexico	1999
	Mexico - EU	2000
	Mexico - Israel	2000
	Mexico - European Free Trade Association*	2001
	Mexico - El Salvador - Guatemala - Honduras	2001
	Chile - Costa Rica	2002
	Chile - El Salvador	2002
	Costa Rica - Canada	2002
	Chile - EU	2003
	Mexico - Uruguay	2003
	Panama - El Salvador	2003
	Chile - EFTA	2004
	Chile - South Korea	2004
	Chile - US	2004
	Panama - Taiwan	2004
	MERCOSUR - Colombia, Ecuador, Venezuela	2005
	MERCOSUR - Peru	2005
	Mexico - Japan	2005
	Chile - China	2006
	Dominican Republic - Central America - United States (CAFTA- DR)	2006
	Guatemala - Taiwan	2006
	Panama – Singapore	2006
	Trans-Pacific Strategic Economic Partnership (Chile, Singapore, New Zealand, Brunei)	2006
	Chile - Japan	2007
	CARIFORUM States - EU	2008
	El Salvador - Honduras - Taiwan	2008
	Nicaragua - Taiwan	2008
	Panama - Chile	2008
	Panama - Costa Rica	2008
	Chile - Australia	2009
	Chile - Colombia	2009
IMPLEMENTING	Chile - Peru	2009
	Colombia - El Salvador, Guatemala, Honduras	2009
	Panama - Guatemala	2009
	Panama - Honduras	2009
	Panama - Nicaragua	2009
	Peru - Canada	2009
	Peru - Singapore	2009
	Peru - US	2009
	Belize - Guatemala	2010
	Peru - China	2010
	Chile - Turkey	2011
	Colombia - Canada	2011
	Colombia - EFTA	2011
	Costa Rica - China	2011
	Peru - EFTA	2011
	Peru - Thailand	2011
	Colombia - US	2012
	Mexico - Peru	2012
	Panama - Peru	2012
	Peru - Japan	2012
SIGNED	Costa Rica - Peru	Pending
	Costa Rica - Singapore	Pending
	Panama - US	Pending
		Year negotiations began
UNDER NEGOTIATION	Mexico - Singapore	2000
	El Salvador - Guatemala - Honduras - Nicaragua - Canada	2001
	Paraguay - Taipei, China	2004
	Dominican Republic - Taipei, China	2006
	Mercosur - Pakistan	2006
	Mexico - South Korea	2006
	CARICOM - Canada	2007
	Dominican Republic - Canada	2007
	El Salvador - Peru	2010
	Honduras - Peru	2010
	Chile - Thailand	2011
	Costa Rica - Guatemala - Honduras - Panama - EFTA	2012
		Year proposed
PROPOSED	Mercosur - Thailand	2006
	Mexico - Australia	2006
	Chile - Indonesia	2009
	Chile - Hong Kong, China	2009
	Colombia - Australia	2009
	Central America - Republic of Korea	2010
	Colombia - Japan	2011
	Colombia - China	2012
	Mexico - India	2012
	Mexico - Turkey	2012

* The European Free Trade Association consists of Iceland, Liechtenstein, Norway, and Switzerland

Source: Author's compilation based on World Trade Organization data

$350 billion in 2010, with China displacing Japan as the main trading partner with LAC.[10] For some countries in Latin America, the Asia Pacific region represents a massive market: nearly 45 percent of Chile's exports go to that region; the figures for Peru and Brazil are about 25 percent each. Chile and Peru have signed a combined 11 PTAs to date with countries in the Asia-Pacific region. The increased importance of trade with Asian partners allowed these countries to weather the global financial crisis relatively smoothly, whereas those sub-regions with closer trade ties to the U.S. (namely Mexico and the CACM countries) suffered a sharp downturn.

Future Scenarios

There are several new pathways for the future of trade integration in the Americas to take: promote multilateralism, strengthen regional blocks and explore regional convergence.

Multilateralism

In an increasingly integrated world, multilateral trade liberalization matters more than ever. One of the key benefits of multilateral trade negotiations is that the principle of "most-favored-nation" (MFN) applies, such that any trade preference extended to one WTO member must be offered to all. Under a successful conclusion of multilateral liberalization, firms everywhere could bypass overlapping preferential agreements and rules of origin requirements. Multilateral negotiations would be optimal and should remain a priority. At the same time, the new concept of "multilateralizing PTAs" has emerged as a means to enhance compatibilities between PTAs and the global trading system, and to strive to advance toward global free trade by way of PTAs.

Sub-regionalism

By deepening sub-regional integration initiatives (such as Mercosur, NAFTA, CAFTA, CACM, CARICOM, etc.), Latin American countries can consolidate regional trade preferences and move toward building deeper common markets. CAFTA provided a pragmatic alternative for convergence of disciplines and multiplicity of rules of origin, by cumulating rules of origin requirements in some textile categories. In the case of Mercosur, consolidation into a customs union as a bloc—including macroeconomic convergence and the dismantling of exceptions in common external tariff (CET) and duties—would provide the political commitment necessary to advance the Mercosur process. Mercosur is the second largest customs union outside of the EU and epitomized the "new regionalism" in the 1990s, which was based on "open regionalism" and shared development goals. The Pacific Alliance is the most recent and pragmatic response to new challenges at the sub-regional level, with a strategic focus on positioning the region toward the emerging Asian markets.

However, there are still challenges. For example, after the Mercosur customs union agreement was signed in Ouro Preto in 1994, there have been persistent tariff exceptions for both intra-zone zero tariffs and common external tariffs. Two of the founding members of the Andean Community (CAN)—Chile and Venezuela—left the grouping in 1975 and 2006, respectively, because of disagreements over trade and other issues. Recently, the four remaining full members have adopted somewhat divergent positions over trade policy. There are also inadequacies that need to be addressed in regional dispute settlement mechanisms around Latin America and the Caribbean, as they can abet non-tariff barriers.[11]

Convergence

Perhaps the most politically feasible solution to the PTA tangle is convergence, a process by which the various existing PTAs become connected to each other. Convergence was pursued in Europe in the late 1990s, when the various PTAs criss-crossing the old continent were brought together under a single, pan-European area of accumulation of production. This is currently the focus of various country groupings in the Americas and Asia-Pacific.

A region-wide agreement in LAC would yield great economic benefits. It would better link the major economies in North and South America, whose bilateral trade—as projected by gravity models—could expand two- or three-fold in response. The feasibility of convergence in the area of market access regimes among RTAs in the Americas is rather substantial.[12] Tariff elimination—the first precondition for effective convergence—is highly advanced in the Americas.

There are already a number of initiatives seeking convergence that are at different stages of discussion, such as the

Latin America Free Trade Area initiative (Espacio de Libre Comercio), the 11-country Pacific Basin Forum (ARCO), or the more recent Pacific Alliance initiative. The Pathways to Prosperity in the Americas effort involving the United States, Canada and 13 Latin American countries[13] also includes discussions on common trade issues. Five countries of the Americas[14] are also involved in convergence discussions in the Asia-Pacific Economic Cooperation (APEC) forum. More recently, the Trans-Pacific Partnership (TPP) negotiations have increased complexity to this emerging trans-pacific integration and convergence dynamic.[15] A remaining question is this: How feasible would it be to reconnect the whole hemisphere into an FTAA-type of initiative, since economic opportunities and joint gains provided by an Americas-wide agreement are too important to be missed?

Beyond Agreements

To date, there are more than 50 extra-regional PTAs being implemented, negotiated or proposed (see Figure 2). However, trade agreements are not enough. While agreements can be a "sovereign remedy"—delivering important benefits to the member states and the global trading system—realizing their full potential for fostering trade, regional integration, and national welfare requires an intense focus on complementary policies conducive to trade both at the regional and national levels.

For example, the lack of adequate physical infrastructure and trade links among Latin American countries has precluded closer trade integration. Intra-regional trade in LAC is lower than a decade ago, which suggests it has not become an engine of growth as it has in Asia, where complex networks of vertical supply chains contributed to robust growth of intra-firm and intra-industry trade. Experience in Latin America suggests that regional integration benefits small and medium-sized enterprises (SMEs) more than bilateral PTAs with developed countries. However, unlike Asia, Latin America has yet to develop extensive and integrated cross-country supply chains that would facilitate competitiveness and provide SMEs with an indirect role in targeting industrialized markets.

This is a worthy issue to address. Regional integration in Asia has been intensified through intra-industry and intra-firm trade. The Asia Pacific region did not use the proliferation of PTAs to successfully integrate itself with the world economy. Instead, domestic reforms and the expansion of "factory Asia" supply networks helped boost intra-regional trade, which has grown by 10 percent since 1990 to reach 46 percent today (compared with about 18 percent in Latin America).

In addition, trade or regional integration agreements may bring uneven benefits to the countries involved, as well as to different constituencies within countries. For this reason, supportive policies that ensure the gains from regional integration and intra-regional trade are consolidated and distributed equitably are an important part of the picture.

On the positive side, there are now efforts to foster trade facilitation in the region. In 2000, 12 South American countries[16] launched the Initiative for the Integration of Regional Infrastructure (IIRSA), which has developed 524 infrastructure projects across the region—covering transportation, energy and communications—requiring investment of at least $95 billion. Beyond building physical infrastructure, IIRSA also supports the harmonization of regulation across the region and improvements in cross-border traffic. The revival of the South American Community of Nations (UNASUR) and the Meso-American Integration and Development Project, which stretches from Mexico to Colombia, includes regional infrastructure and trade facilitation reforms. The Pacific Alliance initiative also includes proposals to go beyond trade and investment issues. The United States and Canada are participating in the Pathways to Prosperity in the Americas initiative, which includes technical capacity building for small businesses, as well as investments in clean energy and development.

Conclusion: A Future of Vibrant, Open Regionalism

Through good times and bad, trade has been the anchor of the LAC region's economies throughout the postwar era. Since the 1990s, trade integration has also fueled hemispheric cooperation. It has created trust, built cross-border networks of stakeholders, and developed demands for further openness and interaction regarding everything from cross-border infrastructure projects to regional environmental protection and security cooperation. Trade integration has also been integral for solidifying alliances and for the heady gains in democracy in our hemisphere.

The current situation is important: It calls not for recoiling and turning our backs on liberalization, but for closer trade integration and liberalization. Agreements are not enough in a world of fierce competition. The future agenda has to span beyond agreements and include measures that facilitate doing business across borders—improving customs, logistics and infrastructures, as well as building relationships with consumers in foreign markets and multinational firms (potentially major regional clients for LAC's small and medium-sized firms). Only then can the hard-earned integration of the past two decades be fully harnessed for trade, growth, and development.

Endnotes

[1] U.N. COMTRADE database.

[2] These countries are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela. Only Cuba was not invited to participate.

[3] John Williamson, author of the phrase "Washington Consensus," identified ten key reforms that Latin America should have implemented in 1989: fiscal discipline, reordering public expenditure priorities, tax reform, liberalizing interest rates, adopting a competitive exchange rate, trade liberalization, liberalization of FDI, privatization, deregulation, and property rights (see John Williamson, "Did the Washington Consensus Fail?" (Peterson Institute for International Economics, 2002). Available at: www.iie.com/publications/papers/paper.cfm?ResearchID=488.

[4] IMF Direction of Trade Statistics, 2012.

[5] In 2010, total exports of goods and services reached about $1.015 trillion; total imports of merchandise goods and services was $1.028 trillion. Based on the World Bank World Development Indicators database, 2012.

[6] Intra-regional trade in Latin America and the Caribbean excludes the United States and Canada.

[7] Richard E. Feinberg, *Summitry in the Americas: A Progress Report* (Washington, D.C.: Institute for International Economics, 1997).

[8] Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (University of Oklahoma Press, 1991).

[9] Antoni Estevadeordal, Dani Rodrik, Alan M. Taylor, and Andrés Velasco, *Integrating the Americas: FTAA and Beyond.* (Cambridge: Harvard University Press, 2004).

[10] Nicola Phillips, "Coping with China," in Andrew F. Cooper and Jorge Heine (eds.), *Which Way Latin America? Hemispheric Politics Meets Globalization* (Tokyo: United Nations University Press, 2009), pp. 100-121.

[11] Osvaldo Rosales, José E. Durán Lima, and Sebastián Sáez, "Trends in Latin American Integration," in Joseph A. McKinney and H. Stephen Gardner (eds.), *Economic Integration in the Americas* (New York: Routledge, 2008).

[12] Antoni Estevadeordal and Kati Suominen with Jeremy Harris and Matthew Shearer, *Bridging Regional Trade Agreements in the Americas* (Washington: Inter-American Development Bank, 2009).

[13] These are: Belize, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and Uruguay.

[14] These are: the United States, Canada, Mexico, Chile and Peru (Estevadeordal and Suominen, 2009).

[15] In the Americas, U.S., Chile and Peru are formally members of the TPP, and Mexico and Canada have been also formally invited.

[16] These are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

COMMENTARY BY CAROL GRAHAM

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This is a very informative paper that reviews the state of play on the trade integration and free trade agreement agenda in the region, and is a worthwhile read. As in the case of the discussion of technology and innovation, it is important not to treat the region as a homogenous entity when it comes to trade; there are very large differences across countries.

There are big differences, for example, in what countries stand to gain and lose from the process, as well as asymmetries in power in terms of who drives the integration agenda. There are also fewer gains and more risks associated with being integrated with the United States than previously thought. Mexico is the obvious example: It performed far less well in the 2009 financial crisis than those countries—such as Chile, Peru, and Brazil—that had diversified away from the United States.

Much of the discussion in this area focuses on the benefits of trade integration and the intricacies involved in crafting the necessary diplomatic agreements. More attention to the differences in the ways various countries will (or will not) benefit from such arrangements, as well as to the potential benefits of crafting individual trade ties outside the region, is warranted.