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Author

Ortiz Mena, Antonio

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**Regional Integration
in the Americas
and the Pacific Rim:
A Project Report**

Antonio
Ortiz-Mena L.N.

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Antonio Ortiz-Mena L.N. received his M.A. in Area Studies (Latin America) from the University of London and is a Ph.D. Candidate in Political Science at the University of California, San Diego. He is currently conducting research on the dispute settlement mechanisms of regional integration agreements

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I. INTRODUCTION

In 1996 the Center for Iberian and Latin American Studies (CILAS) and the Graduate School of International Relations and Pacific Studies (IR/PS) launched a two-year program on "Latin America and the Pacific Rim" at the University of California, San Diego (UCSD). Its aim is to promote understanding of the increasingly significant relationship between Asia and Latin America, especially in light of the relatively scant scholarly attention which has been devoted to this subject.¹

The thematic focus for the first year of the project concentrated on patterns and processes of regional economic integration. Core activities consisted of research carried out by six Visiting Fellows, three from Latin America and three from the Asia-Pacific region, a special series of seminars, and workshops, and a conference on "Regional Integration in the Americas and the Pacific Rim" held at UCSD on February 28-March 1, 1997.²

The conference attracted a large and diverse audience, as well as distinguished speakers from the United States and abroad (Brazil, Chile, Japan, Korea, Mexico and New Zealand). A broad array of topics was covered, ranging from economic interaction between the two sides of the Pacific (such as Asian investment in Latin America and the

Acknowledgements: I would like to thank Peter H. Smith for giving me the opportunity to participate in the program and to write this conference report. His careful reading and extensive comments on this report greatly improved the final product. I have attempted to faithfully represent the views of the conference participants; any shortcomings in this regard are unintentional and solely my responsibility. I would also like to thank Shelley Marquez, Wendy Nicodemus, and Florencia Quintanar for their help.

¹Some exceptions are Kotaro Horisaka, Barbara Stallings and Gabriel Székely (eds.), *Japan, the United States and Latin America: Toward a Trilateral Relationship in the Western Hemisphere* (Baltimore: Johns Hopkins University Press, 1993); Peter H. Smith and Soshi Nishijima (eds.), *Cooperation or Rivalry? Regional Integration in the Americas and the Pacific Rim* (Boulder: Westview Press, 1996).

²More information on the program, as well as the full text of the papers presented by the Visiting Fellows, is available on the program's Web site: <http://orpheus.ucsd.edu/las/prtpweb.htm>. See also Appendix 1.

role of private corporations in fostering integration) to region-specific topics including recent developments in the Asia Pacific Economic Cooperation forum (APEC), the prospects for free trade in the Americas, and national development strategies. The conference was capped by a round-table discussion on the relationship between globalism and regionalism.³

This working paper reproduces the essence of these conference discussions and special presentations on processes of regional integration prepared for the Visiting Fellows.⁴ The working paper contains three broad sections -- one on interactions between Asia and Latin America, another on comparisons between the two regions, and a third on the relationship between regionalism and globalism. The appendices include an overview of the Latin America and the Pacific Rim program, the conference agenda, a list of the visiting fellows and their research areas, a series of policy and research recommendations made by these fellows, brief profiles of the conference participants, and a list of acronyms.

Some Initial Questions

Lawrence Krause laid out the agenda for the overall project by posing key questions on the relationship between globalism and regionalism.⁵ First, he wondered whether multilateral free trade is still the basic objective of the United States, given its current pursuit of a regionalist agenda, and how well the WTO might be suited to push the world in the direction of free trade, given the unwieldiness of its large and diverse membership. In addition, Krause observed, the MFN principle allows nations to obtain

³ See appendix 2.

⁴ See Appendix 3 for a complete list of special presentations.

⁵ The existence of formal trade and investment agreements is usually referred to as regionalism, which should not be confused with regionalization, which refers to the actual pattern of trade and investment flows. There can be regionalism without regionalization, and conversely, there can be regionalization without regionalism.

concessions without reciprocity, something the United States is increasingly reluctant to tolerate.⁶

Second, Krause asked, if the WTO proves not to be the ideal forum for fostering global free trade, are regional institutions a step in the right direction -- or do they actually hinder further trade liberalization? For Krause, APEC fosters global trade liberalization, since it operates under the principle of "open regionalism,"⁷ which means that concessions are not limited to APEC members, its membership is open, and agreements reached in APEC are commonly taken to the WTO with a view to their adoption at the multilateral level. However, he described the effect of regionalism in the Americas as unclear, noting recent concerns about MERCOSUR's allegedly protectionist tendencies.⁸

Third, Krause raised questions about the meaning of state sovereignty in the context of global trade and production. In his view, the capacity of governments to control certain policy areas has diminished, although they continue to have political responsibility for ensuring a favorable economic environment. In this light, regionalism offers governments a better opportunity to affect policy than does a completely multilateral approach, but this in turn requires a new consensus at the global level about the way regionalism is to be reconciled with globalism.

Finally, Krause mentioned that geopolitical conflicts during the Cold War previously helped sustain liberal economic policies, but at present there is no compelling political theme that can prevent backsliding. This means that challenge of maintaining open blocs is especially great.

⁶For a discussion of cooperation among numerous countries, see Miles Kahler, "Multilateralism with Small and Large Numbers," in John G. Ruggie (ed.), *Multilateralism Matters: the Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993).

⁷For an examination of the different meanings of "open regionalism," see Jeffrey A. Frankel, Ernesto Stein and Shang-Jin Wei, *APEC and Regional Trading Arrangements in the Pacific* (Washington, D.C.: Institute for International Economics, 1994).

⁸For example, see Michael M. Phillips, "South American Trade Pact is Under Fire: World Bank Economist Criticizes Protective Barriers," *The Wall Street Journal*, October 23 1996, p. 2-A.

II. ASIA AND LATIN AMERICA: THE INTERACTIVE DIMENSION

Kihwan Kim opened his conference presentation by noting that economic relations between Asia and Latin America have intensified in recent years -- as a result of such factors as the end of the Cold War, the globalization of production and trade, economic dynamism in East Asia, and complementarity between the two regions in areas of resource endowment, development level, and policy experience. He went on to suggest that significant benefits can be reaped from this relationship: East Asia can provide Latin America with industrial products, while Latin America can concentrate on natural resources and some consumer products. Growth rates in Latin America can be accelerated as a result. In order to maximize these potential benefits, Kim continued, the regions can be linked through both the market and formal agreements. Their governments could work together to strengthen the global trading system via the WTO; expand APEC membership; expand NAFTA membership; and broaden the membership of the ADB and the IDB. APEC study centers (such as IR/PS) can also play a role by helping form human capital, which is especially needed in Latin America.

While there exist barriers to further ties between the regions, Kim did not regard them as insurmountable. Language barriers can be reduced by reliance on English; differences in political culture and structure can be attenuated by an exchange of parliamentary delegations; the inefficiency and rigidity in social infrastructure of Latin America can be upgraded via privatization; and although physical distance between the regions is great (in fact, Seoul and Buenos Aires are two the most distant large cities in the world), this can be overcome by modern transportation. Additionally, advances in computer and telecommunications technology can obviate much of the need for travel.

Carlos Moneta agreed with Kim on the importance of intensifying trade and investment links between Asia and Latin America, but argued that the scope for cooperation should be much broader and include the exchange of regional experiences regarding growth and social welfare, environmental protection, governability, corruption, drugs, and the role of new sub-national actors. Moneta emphasized that Asia is more important for Latin America in terms of trade and investment than vice-versa, so the onus is on Latin America to engage Asia.

Moneta disagreed with Kim on the feasibility of APEC expansion -- on the ground that other nations (such as Russia and India) would take precedence over additional Latin American countries, that APEC is an essentially "elitist" grouping, and that it would be very expensive for some small Latin American and Caribbean countries to take part in Asian organizations. Instead, he proposed the creation of a trans-Pacific "South-South" forum open to government, business, and academia, that would help increase interaction between developing countries in both regions. In reply Kim took issue with Moneta's assessment of APEC as "elitist," noting that it is open to new members and that current members include rich and poor countries alike.

Omar Martínez Legorreta focused precisely on the possibility of including more Latin American countries in APEC. He argued that such a process would probably evolve only on a case-by-case basis, since there is no single organization that can negotiate on behalf of the Latin American region. There were no Latin American countries among the APEC founding members, he pointed out, and Mexico and Chile were not admitted until the 1993 Seattle meeting -- when the United States began its campaign to turn APEC into a more formal, legalistic organization. Martínez Legorreta noted that MERCOSUR accession to APEC could be an interesting possibility, however, and that bilateral ties with Korea, Taiwan, and the ASEAN countries should be explored by Latin America. Finally, he suggested that Latin American countries should use

APEC, perhaps under the status of observers, to get acquainted with countries and practices throughout the Asia-Pacific region.

Albert Fishlow, the real issue for Latin America is not so much the possibility of expanding trade and investment with East Asia, given limitations on likely volumes, but the need for an increase of domestic savings rates, for a commitment to human capital formation, and for addressing the issue of income inequality. Export growth cannot solve these problems for Latin America. In terms of economic linkages, Fishlow regarded the United States as a critical partner for both Latin America and East Asia. In his view, the United States has been reluctant about a continued opening toward Latin America, as shown by vacillation regarding fast track authority to negotiate Chile's accession to NAFTA.⁹ If the United States does not play an active role, asserted Fishlow, the linkage between Latin America and East Asia will not occur.

Richard Feinberg disagreed with Fishlow's assessment of the U.S. attitude toward regional integration in the Americas and argued that the approval of fast track authority is still probable, not only for negotiations with Chile, but also for the rest of Latin America.

Investment and the Role of Corporations

In a conference paper, Sayuri Kuwabara addressed the issue of capital flows to Asia and Latin America in the 1990s, noting that FDI has increased steadily over the past decades and now constitutes the largest component of aggregate flows to developing countries; the most dramatic change is the growth of portfolio investment, which has grown by a factor of ten since the mid 1980s. In both Latin America and Asia, a substantial part of total flows are now private, do not generate debts, and are frequently

⁹For more information on the fast track procedure, see Sharyn O'Halloran, "Congress and Foreign Trade Policy," in Randall B. Ripley and James S. Lindsay (eds.), *Congress Resurgent: Foreign and Defense Policy on Capitol Hill* (Ann Arbor: University of Michigan Press, 1993).

used to bolster foreign exchange reserves. Yet, she also found important differences between the regions in regard to the composition and sources of private flows. One stems from Latin America's heavier reliance on portfolio capital rather than FDI. In addition, FDI in Latin America has mainly taken the form of debt-for-equity swaps and acquisitions through privatization, which do not necessarily generate additional capital formation, whereas FDI in Asia has mostly involved the setting-up of new enterprises. Thirdly, recent capital inflows in Asia have been largely directed toward investment, while in Latin America they have been used for consumption, and in effect become a substitute for domestic savings.

Kuwabara further observed that Japan has been the largest supplier of funds in the world since the mid-1980s, and that principal destinations have been Asia, especially Southeast Asia, followed by North America. These outflows have taken the form of both FDI and portfolio investment. Since the late 1980s, however, Japanese banks have curtailed lending activities in developing countries and have been reluctant to expand operations in Latin America. Among other factors, these reservations reflect painful recollections of the 1980s debt crisis.

As for financial management, Kuwabara argued that for developing countries the key lesson from the Mexican crisis of 1994-95 is that foreign capital can complement domestic resources, but cannot provide an effective substitute for domestic savings. To encourage private savings, she suggested possible changes to institutional arrangements and in taxation and expenditure patterns. As for coping with financial crises when they do occur, Kuwabara called for quick and decisive responses based on multilateral cooperation, although it should fall mainly on the debtor country to recover the confidence of international markets. Kuwabara thus concurred with Moneta that the responsibility for attracting Asian investment (by avoiding situations that could lead to financial crises and by correcting them quickly should they occur) lays largely in the

hands of Latin America, and with Fishlow regarding the importance of increased domestic savings.

In contrast to Kuwabara's cautious analysis, Taik-Hwan Jyoung offered an upbeat assessment of Korean investment in Latin America. For Jyoung, the growing interest of Korean investors in Latin America is due to both "push" factors (the intrinsic need of Korean firms to reduce costs, given that wages have increased at a higher rate than productivity) and "pull" factors (Latin America's growing domestic market, and the fear of being left out from the advantages of regional integration in that area). This does not mean, however, that Korean companies have not faced difficulties when attempting to invest in Latin America; among them are cultural and language barriers, difference in work ethics, ignorance of local laws and geographical distance; and threats of double taxation. The delay of Korean admittance into the IDB has also hindered potential Korean assistance for the development of infrastructure in Latin America. To foster trans-regional cooperation, Jyoung proposed the creation of a "wisepersons' club" between the two continents (similar to APEC's Eminent Persons Group) and the establishment of a Forum for Trade and Industrial Cooperation between Asia and Latin America.¹⁰

Expanding on the role of private corporations, Hernán Gutiérrez focused on three basic trends: growth in the share of manufactured exports from Latin America to Asia-Pacific; the increasing importance of intra-industry trade; and the ongoing diversification of trading partners (with Japan no longer being the sole market for Latin American products). Gutiérrez also took note of a second wave of investment in Latin America from East Asia, especially from Korea, which now tends to look at South America as an integrated economic space by locating different parts of the production process in

¹⁰For greater detail, see "Policy and Research Recommendations" in the appendix.

different countries.¹¹ Paradoxically, Gutiérrez surmised, deeper investment linkages with Asia may very well promote integration among the countries of Latin America.

Kotaro Horisaka of Japan concentrated instead on the role of Latin American corporations in regional integration. He insisted that it is crucial to examine the role of corporations in regional integration, for they are the ones who export and import goods, capital, and technology, often in the absence of formal institutional frameworks. The main question, for Horisaka, was whether the formal regional framework coincides with business interests. This was not the case for Latin American integration efforts in the 1960s, which as a result ended largely in failure.

Horisaka contrasted the regions in terms of whether integration is market-led or policy-led. In his view, East Asia constitutes one of the most integrated markets in the world, but the creation of formal institutions is very recent; Japanese investment in ASEAN, driven by wage differentials, has been the major force behind integration in the region. In contrast, he continued, integration in Latin America has been policy-led. Within this context, Horisaka described some preliminary findings from a current study on the behavior of Latin American corporations -- such as the fact that many of their investment projects are altogether new, rather than expansions of existing enterprise, and that they engage in relatively few alliances, preferring instead total control over their projects.¹² This contrasts sharply with the pattern in East Asia, where joint ventures are common. Finally, Horisaka concluded that there are more similarities within Latin America than in Asia, such as language and legal culture, so it should be easier for Latin American corporations to expand into their surrounding areas than for their Asian counterparts.

¹¹The regional focus of Asian investment contrasts with Morton's characterization of U.S. investment in Latin America, which she sees as more country-based.

¹²Kotaro Horisaka et. al., "Business Corporations: Regional Integration Players in Asia and Latin America" (in progress).

In her commentary on these presentations, Mireya Solís noted that while it is true that Latin America relies more on portfolio investment than FDI in comparison with Asia, as Kuwabara demonstrated, the question was how Asian countries have managed to obtain this different composition of investment. Solís also mentioned that FDI has costs, as well as benefits, for the recipient country, so it should not be embraced without qualifications. If FDI increases exports, it may help balance the current account, for example, but this may not be very helpful in the long term if exports consist merely of assembled components. Gilson Schwartz also suggested exercising caution regarding the acceptance of investment, for in his view mergers and acquisitions do not increase economic capacity. (These assessments were somewhat at odds with that offered by Krause, who suggested that if FDI is induced by efficiency considerations, it does not matter if it is linked to exports or not, or whether it is used for mergers and acquisitions; even in the latter case, the new ownership could result in improved efficiency. Only if investment is induced by distortions should there be qualms about allowing it.)

Second, Solís welcomed Horisaka's study of Latin American corporations and regional integration, since the topic has scarcely been explored, but also noted the importance of U.S. corporations, which greatly affects the behavior of Latin American firms. She surmised that the large number of acquisitions observed by Horisaka might be a temporary phenomenon linked to privatizations, and that in order to make a good behavioral assessment of Latin American corporations, it would be necessary to include a longer time-span in the study.

On a related note, Alberto Van Klaveren pointed out that Argentina, Brazil and Chile have diversified investment sources, in contrast to other Latin American countries which still rely heavily on U.S. investment. Integration in the 1960s was a real failure, he added, but the current experience is very different, as reflected by the fact that intra-regional trade in Latin America is growing faster than extra-regional trade (except for the case of Chile). In his view, this reflects the importance of the market in Latin American

integration and the inappropriateness of characterizing it as policy-led. Van Whiting offered a similar assessment of NAFTA, noting the interaction between market and political forces in spurring integration in North America.

III. ASIA AND LATIN AMERICA: THE COMPARATIVE DIMENSION

Regionalism in Asia-Pacific

In a discussion and analysis of APEC's Manila Plan,¹³ Robert Scollay emphasized APEC's uniqueness in its reconciliation of regionalism and multilateralism through the concept of "open regionalism," which basically translates into non-discriminatory liberalization. He conceded that it is not yet clear how well this approach will work in the long term, especially in light of the incentives it creates for free riding and the opportunity this provides for the EU to benefit from APEC liberalization without giving anything in return.

Turning to a detailed assessment of the Manila plan by the PECC, Scollay concurred with the judgment that APEC commitments are very transparent (and therefore credible).¹⁴ Also according to PECC, all APEC economies are on track for the 2020 deadline for the attainment of free trade among them; Scollay noted that fulfillment of these commitments has not been very difficult thus far, since they barely exceed those

¹³The Manila Action Plan for APEC was released in November 1996. It includes the individual and collective actions APEC members will undertake in the areas of trade and investment liberalization, facilitation, and economic and technical cooperation, in order to attain the goals set forth at the APEC Leaders' Meeting held in Bogor, Indonesia in November 1994.

¹⁴For example, information in how countries will go about implementing or attaining their commitments should bolster the credibility of those commitments vis-à-vis other countries, in comparison with a situation where only vague aims are agreed upon, without any commitments for the means toward their attainment. See Peter F. Cowhey, "Elect Locally - Order Globally: Domestic Politics and Multilateral Cooperation," in John G. Ruggie (ed.), *Multilateralism Matters: the Theory and Praxis of an Institutional Form*, (New York: Columbia University Press, 1993) for an analysis of the manner in which domestic political institutions also affect the credibility of commitments.

established by the Uruguay Round, but this does not mean that progress in APEC is irrelevant -- especially since APEC's liberalization efforts helped encourage stalled negotiations in GATT. As for APEC's alleged exclusivity, an issue raised earlier by Kim and Moneta, Scollay acknowledged the existence of a temporary moratorium on new membership, but explained this as essentially a practical problem, given the complexity of negotiations involved, and not a philosophically-based restriction, especially in view of the significance of open regionalism for the APEC process. Finally, he suggested that since APEC and the Free Trade Area of the Americas (FTAA) process are pursuing similar objectives, ways to link these effects should be explored; perhaps a good occasion for this would be at the hemispheric summit meeting in Santiago de Chile in February 1998.

Marcela Romero García addressed the issue of labor migration and APEC. As she pointed out, APEC countries are very diverse in regard to labor migration; the regional grouping has three major labor importers (Australia, Canada and the United States), the world's two biggest exporters of labor (Mexico and the Philippines), and some nations that both import and export labor (such as Malaysia and Thailand). Economic factors affecting short-term migration flows throughout Asia-Pacific include unemployment, geopolitical tensions (such as the changing status of Hong Kong and the potential reunification of Korea), and differential rates of economic growth. According to Romero, state policies have also influenced the volume, direction, and consequences of migration.

To date APEC has addressed the issue of labor migration mainly through efforts to keep workers in their country of origin, in Romero's estimation, while ignoring the problem of illegal migration. She proposed that analysis of the way in which labor migration was dealt with in other regional integration schemes might offer useful guidelines -- although in the case of the EU the concern was migration coming from outside the region, while for APEC migration was an essentially internal phenomenon.

Romero also mentioned the case of NAFTA (whose members all belong to APEC), but judged it to be inadequate since the side agreement on labor made no reference to migrant labor and was limited to surveillance of each country's legislation on labor rights. (When the Mexican government proposed consideration of labor rights for migrant workers as part of these negotiations, the United States declined).

In any event, it seems advisable to adopt a cautious strategy for approaching labor migration in APEC, since this question is interwoven with sensitive domestic issues that could endanger the entire APEC process. And though it might prove contentious and difficult in the short run, Romero concluded, it would be beneficial in the long run. For an economic scheme to prosper it must be based on reality, she said, and this meant that it would only be logical for APEC to confront a matter that is so central to its existence.

Considering Romero's arguments, Peter Smith wondered whether APEC could realistically be expected to resolve a problem that it did not cause (since labor migration long preceded the formation of APEC itself). Labor migration was not addressed in NAFTA and this did not unravel the process; it might well be desirable for APEC to take up this issue, as Romero contended, but member countries would be unlikely to regard it as a necessity. For Krause, it would be essential to establish clear policy preferences: would there be unrestricted migration, rigorous legislation, or employer sanctions? And how would countries that import highly skilled labor when exporting countries paid for the education of those workers be dealt with? Regarding the functional logic for permitting free movement for all factors of production, Krause contended that mobility of capital and goods need not create an incentive for labor mobility; precisely the opposite, in fact, given price equalization through currency realignments would eliminate the incentive to move.

In his conference paper, Suthiphand Chirathivat focused on the relationship between ASEAN, APEC and the integration process in the Americas. First, he characterized ASEAN as a weakly institutionalized intergovernmental organization

whose members rely to a great degree on non-ASEAN markets, so it had no reason to pursue integration in a way that would prove deleterious to the multilateral liberalization process. He maintained that the dynamism of integration in Southeast Asia is market-driven, and that the economic success of each ASEAN member has, in turn, allowed the exploitation of complementarities. Second, he mentioned that APEC is of key importance for ASEAN, especially with regard to industrial restructuring. He pointed out that ASEAN can contribute to the APEC process through its long experience with consensus-based decision-making as the basis for cooperation, which he labeled "the ASEAN way;" and that ASEAN prefers to maintain the flexible institutional structure of APEC, but with a greater emphasis on issues such as competition policy and technological cooperation. Third, he expressed concern about NAFTA, which he characterized as "costly" for ASEAN, given the latter's reliance on the U.S. market for its exports and the increased competition from Mexico in areas like textiles. Chirathivat expressed no overriding concern with trade or investment diversion associated with MERCOSUR, since economic linkages between the groups are limited and ASEAN has enjoyed a trade surplus with MERCOSUR in recent years.

Smith asked for clarification regarding the impact of APEC decisions on ASEAN actions, if the latter grouping worked on a basis of consensus. Is APEC considered a "default" mechanism used to resolve issues that ASEAN prefers to avoid? Krause followed up this comment by noting that the "ASEAN way" consists of holding discussions without adopting an adversarial stance; if issues are too conflictive, they are simply set aside and not allowed to "contaminate" other areas where progress is possible. He suggested this might not work well in the future, as increasingly contentious issues related to deep integration would be likely to find their way into the agenda.¹⁵

¹⁵Deep integration refers to behind-the-border issues such as investment rules, intellectual property rights, government procurement, standards, competition policy, and environmental and labor policies. These issues were traditionally regarded as pertaining to the domestic politics realm but are now commonly dealt with as part of the "trade" agenda. See Robert Z. Lawrence, *Regionalism, Multilateralism and Deep Integration* (Washington, D.C., Brookings, 1995).

In one of the special seminar sessions, Richard Drobnick focused on the role of Japan in Asia-Pacific economic integration. Several factors have contributed to integration: high growth rates, new multinational corporation strategies in response to currency realignments, and formal agreements that facilitate movement of factors of production. But in Drobnick's view, the principal force behind this process has been Japan. Specifically, the most powerful stimuli have been Japanese capital, technology, and model of economic development. He likened Japan to a conductor of a Southeast Asian orchestra, bolstering this simile with the observation that most of the powerful family-run businesses in Southeast Asia have joint ventures with Japanese corporations that provide them with capital and technology. He added that the data on investment flows are misleading and under-represent the role played by Japan, given the complex webs of investment flows (investment formally registered as flowing from Hong Kong, for example, could actually be of Japanese origin). He concluded that rigorous studies of corporate ownership and strategy are needed to untangle and analyze these processes.

In contrast to his emphasis upon Japan, Drobnick greatly downplayed the potential role of China, which he characterized as a "big, poor country" with no chance of overtaking the United States or Japan in the foreseeable future. China may be growing rapidly, he conceded, but it has no internal source of capital or technology and it has a weak educational system. China relies heavily on joint ventures with U.S., European, and Japanese corporations; many of these ventures have not been profitable and now some large corporations, such as GM, are having second thoughts about their commitments in China. Finally, Drobnick added that it is important to keep things in perspective and that the Japanese economy accounts for two-thirds of all Asian GNP.

Krause wondered if formal institutions are important for integration, since Drobnick had so greatly emphasized the role of Japanese corporations. Drobnick replied that while market forces alone are not sufficient to allow integration and political decisions are required to permit economic exchange across borders, institutions can

facilitate the process once a political decision is made but are in no way essential. He added that markets impose constraints on the way integration progresses; given close economic ties with Japan, for example, it is difficult for other countries to follow policies that go against the preferences of Japanese investors.

Smith inquired as to whether Japan's alleged reliance on the market really represented opportunistic pragmatism, or whether nationalist aspirations might underlie Japan's economic policy toward Asia-Pacific (as an example, he mentioned the well-known work of Chalmers Johnson¹⁶). Drobnick countered that the Japanese government shapes the behavior of firms, but has less influence now than in previous decades given the deregulation of the financial sector.

Kuwabara expressed surprise at Drobnick's view about Japan's role in Asia-Pacific economic integration, which she found to be overstated; she noted that the Japanese tend to express pessimism about their nation's future in view of current economic problems and the aging of the population. Krause seconded the comment, noting that the Japanese economy should be seen as operating on two tracks -- with some of its corporations doing very well, while the financial sector and the country in general has not been faring well at all. Partly as a result of failures to implement real deregulation, he predicted two decades of slow growth for Japan.

Drobnick admitted that there were problems, but maintained his position and argued that the Japanese are modest and have a pessimistic bent. He underscored the power of Japanese corporations to integrate the labor resources of neighbors into the production process, which continue to rely on Japanese technology. As examples, he mentioned Hyundai -- which relies on Japanese technology through its partnership with Mitsubishi -- and Astra autos in Indonesia -- which has a partnership with Toyota.

¹⁶Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925-1975*, (Stanford, Stanford University Press, 1982). A view that downplays the role of MITI is Frances M. Rosenbluth and Mike J. Ramseyer, *Japan's Political Marketplace* (Cambridge: Cambridge University Press, 1993); Johnson's reply to revisionist thinking on MITI appears in Chalmers Johnson, *Japan, Who Governs? The Rise and Fall of the Developmental State* (New York: W. W. Norton, 1995).

Drobnick added that Japan remains a surplus country, and continues to invest and accumulate assets, so its aging population will be able to live off those assets. He agreed, however, that the financial sector was in dire straits and that sorting out the crisis would be costly.

Jyoung asked whether China might destabilize the region, given potential internal turmoil in the post-Deng era.¹⁷ Drobnick discounted this concern on the ground that it would be difficult to turn back the reforms started some twenty years ago, since gains are clear and widely spread. Furthermore, he suggested, the people now running the system are likely to remain in power, the army is under control, and the economy is doing well. But even if China is merely a "big, poor country," Smith said, it has growing geopolitical weight and could still influence events in Southeast Asia with a nationalistic foreign policy. Drobnick replied that China's recent aggressive stance toward Taiwan is counterproductive, that the United States will always take a strong stance to protect Taiwan, and that leaders in Beijing must by now understand that an aggressive foreign policy will simply provoke an arms race throughout all Southeast Asia.

Regional Developments in the Americas

In a seminar presentation, Stephan Haggard assessed the prospects for achieving free trade in the Americas. He first noted that an underlying force behind regional integration in the Americas was the debt crisis of the 1980s, which spurred countries to look toward new ways of achieving growth; this contrasted with previous efforts at regional integration, which did not promote unilateral trade liberalization. Haggard also mentioned that the bilateral U.S.-Canada free trade agreement created strong path

¹⁷Drobnick made his special presentation for the Visiting Fellows on February 18, 1997, just one day before the death of Deng Xiaoping.

dependence for future developments, since Washington would want all subsequent agreements to conform to that arrangement. He emphasized that the new trade agenda goes well beyond trade and includes such beyond-the-border issues as FDI, the domestic regulatory environment, and intellectual property rights. Moreover, he contended, the U.S. demand for relatively deep integration does not always coincide with the interests of Latin American countries.

Haggard recalled that up until mid-1994, there had been three basic models for attaining free trade in the Americas: first, an expansion of NAFTA; second, U.S. negotiation of bilateral arrangements with countries on several possible frameworks (this would presumably be resisted by Latin America given the disadvantages of hub-and-spoke arrangements);¹⁸ and third, an all-at-once hemispheric agreement. This last possibility seemed the most feasible in the wake of the December 1994 "Summit of the Americas" in Miami.¹⁹ In Haggard's view, the FTAA process was complicated by the revival and proliferation of subregional schemes, such as the Andean Pact and MERCOSUR,²⁰ which posed a considerable challenge in the coordination and "compatibilization" of multiple integration processes.

With regard to procedure, Haggard expressed skepticism about the current reliance on functional committees, which makes it difficult to create cross-issue linkages and bargains that are likely to be necessary for successful negotiations. Since all potential members of prospective FTAA are WTO members, the hemispheric agreement would make sense only if it represents a "WTO plus" formula; however, Brazil wants to

¹⁸Donald J. Wonnacott, *The Economics of Overlapping Free Trade Areas and the Mexican Challenge* (Toronto and Washington, D.C.: Canadian - American Committee, 1991).

¹⁹For an in-depth look at the process leading up to the Miami Summit and the prospects for free trade in the Americas, see Richard E. Feinberg's *Summitry in the Americas: A Progress Report* (Washington, D.C.: Institute for International Economics, 1997).

²⁰For example, the Andean Pact and Central American Common Market received new impetus (the CACM is now called the Central American Integration System); among the new agreements, the most important ones are NAFTA and MERCOSUR, but there is a plethora of additional regional integration agreements in the Americas. For a good survey of recent integration efforts in the Americas, see Jeffrey J. Schott, *Western Hemisphere Economic Integration* (Washington, D.C.: Institute for International Economics, 1995).

establish the WTO as a *ceiling*, not as a *floor*, and favors negotiations between economic groupings (basically MERCOSUR -or perhaps a future SAFTA- and NAFTA) instead of through functional committees. For Haggard, two-bloc MERCOSUR-NAFTA negotiations were more likely to achieve successful results, but only with a push at the highest political level. It was unclear to him how likely this would be: while APEC has an institutionalized involvement of heads of state through annual summits, there is no such equivalent in the Americas.²¹

Focusing on the private sector's view of integration, Colleen Morton concurred with Haggard about the importance of political will. She observed that, paradoxically, the largest multinational corporations -- which have great lobbying power -- are not very interested in regional integration, while small and medium corporations -- which have less political clout -- are the most anxious to sustain the process. In Morton's experience, global corporations can deal with a broad range of regulatory problems; they often benefit from a comparative advantage in this regard vis-à-vis small corporations, and they may even prefer to maintain the present regulatory environment which ensures them a privileged position -- or they can set up headquarters in one or two large countries which have trade deals with other countries in the region, as in the case of Mexico. In short, large MNCs have relatively little to gain from regional integration (beyond NAFTA); if Washington decides to pursue FTAA, it will be largely on behalf of small and medium corporations needing access to those Latin American markets. (In a subsequent exchange, Haggard took issue with Morton's views on the relative disinterest of large corporations toward regional integration. He commented that it is important to look at issues on a sector-by-sector basis, and that sectors regional rules are important.)

²¹For a more detailed coverage of Haggard's views on the regional integration process in the Americas, see Stephan Haggard, *The Political Economy of Regionalism in the Western Hemisphere* (La Jolla: IR/PS Research Report 96-01, 1996), and "The Political Economy of Regionalism in Asia and the Americas" in Edward D. Mansfield and Helen V. Milner (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997).

To make things worse, Morton added, there are serious domestic political obstacles in the United States. First, the prospects for the renewal of fast track authority is still not clear. Upcoming presidential elections in the year 2000 were already affecting the terms of this debate, with House Speaker Newt Gingrich wanting to exclude labor and environmental issues from trade deals, House Minority Leader Richard Gephardt wanting to include labor, and Vice-President Al Gore pushing for the inclusion of environmental issues. Second, a USTR-Commerce assessment of NAFTA would be due in July 1997,²² and discussion about the report would be hampered by the parochial outlook of many new members of the House of Representatives and by their weak grasp of international economic issues. For Morton, this meant that fast track authority may well not be granted -- or, if granted, it would come with very stringent conditions attached.

Under these conditions, Morton continued, it would be difficult and possibly counterproductive to seek a free trade agreement for the Americas. Rules of origin present a real stumbling block to the realization of an FTA. By contrast, a hemispheric customs union might be a much more efficient vehicle. A customs union might, for example, establish a common external tariff for about 80 percent of all of products, setting aside 20 percent of the most contentious products (like autos and textiles) for country-specific tariffs.²³ In her view, this kind of agreement should not be difficult to attain if the main concern is investment, rather than trade, as appears to be the case. In any event, Morton recommended against a NAFTA-style package deal, which would be too complex to negotiate among many countries. A better option would be to have a baseline agreement together with separate, issue-specific pacts with voluntary

²²This discussion was held on February 11, 1997.

²³A free trade agreement permits countries to determine their trade policy toward non-members, while a customs union requires all members to have the same tariffs toward non-members; that is, a customs union requires a common external tariff. In contrast, a free trade agreement does not require a common external tariff, but does require rules of origin to avoid trade deflection. See Anne O. Krueger, *Free Trade Agreements Versus Customs Unions* (Cambridge: National Bureau of Economic Research, 1995) for a comparative analysis of the political economy of protectionism under these two forms of economic integration.

membership, somewhat along the lines of the special codes favored by GATT in the Tokyo round of multilateral trade negotiations.²⁴ In Morton's view, this approach might offer the only practical way to achieve "free trade" in the Americas by the year 2005.

A Brief Comparison

Discussions turned to a comparison of regional integration in Asia and Latin America. Echoing earlier comments, Colleen Morton regarded market forces as the key factor behind integration in Asia, and political factors as central for Latin America (where governments seek to attract FDI rather than stimulate domestic savings). Nonetheless, Morton added, multinational corporations do not look at Latin America and Asia as *regions* but as a series of *countries* when making investment decisions. In fact, individual countries can still differentiate themselves from each other in order to attract FDI, and Latin American economies are often in direct competition with each other. To this extent, there is little compelling need or logic for regional integration. (This observation contrasted with Gutiérrez's emphasis on the regional approach of Asian corporations toward their operations in Latin America).

From a legal standpoint, Mark Spalding found APEC a fascinating specimen. In contrast to NAFTA, and to a certain extent MERCOSUR, it is neither contractual nor legalistic, but is based instead on voluntarism and peer pressure. This informal approach facilitates the discussion of issues like the environment and labor, while the NAFTA-

²⁴For an explanation of GATT's voluntary codes, see John Jackson, *The World Trading System: Law and Policy of International Economic Relations* (Cambridge: Massachusetts Institute of Technology Press, 1989). Under the WTO, member countries must accept all obligations of the GATT and its corollary agreements, except for those covering government procurement, civil aviation, beef, and dairy products. See Jeffrey J. Schott, *The World Trading System: Challenges Ahead* (Washington, D.C.: Institute for International Economics, 1996).

style emphasis on coercion and adversarial procedures makes it very difficult to address delicate problems.

Even so, Spalding continued, it seems likely that there will be mounting conflict in Asia over natural resources and pollution, given both the accumulation of environmental problems and the reticence of private firms to deal with them. ASEAN has never addressed environmental issues, nor have they surfaced in AFTA. MERCOSUR has nothing substantive on the environment, the NAFTA side agreement is a positive first step although it has shortcomings, and the FTAA agenda includes environmental matters but has not yet achieved much visible progress. In short, trade agreements have not proven to be very effective in the promotion of environmental protection.²⁵ Thus, an APEC-style approach might offer the best way to deal with environmental and other such issues at the regional level.

Kahler agreed with Spalding's assessment of APEC as a unique type of arrangement, but expressed doubt that it would prove more effective than more formal and legalistic institutions and wondered how far beyond the WTO it would ultimately evolve. He was also skeptical that the APEC structure would facilitate the inclusion of contentious issues, as Spalding maintained. For example, APEC would be unlikely to address the problem of migration, despite Romero's eloquent plea, since it tends to provoke deep domestic divisions and nationalistic assertions of sovereign rights. An alternative might be to deal with labor migration through private sector codes of conduct based on ILO rules, or to link migration to such issues as child labor and human rights.

²⁵See Daniel C. Esty, *Greening the GATT: Trade, Environment and the Future* (Washington, D.C.: Institute for International Economics, 1994), and Gordon J. Mac Donald, Daniel L. Nielsen and Mark A. Stern (eds.), *Latin American Environmental Policy in International Perspective* (Boulder: Westview Press, 1997).

Models for Development

A substantial amount of discussion focused on contrasting models of development in Asia and Latin America and their relevance for each other. In his conference presentation, Gilmar Masiero of Brazil prefaced his analysis with the judgment that implementation of the "Washington consensus"²⁶ had not guaranteed growth with equity for Latin America. He argued that Latin America would need to have a clear policy course to follow after stabilization and liberalization, and that this would require a proactive development strategy similar to that followed in Asian countries, especially Korea and Japan. Basic principles of these strategies include: land reform; emphasis on education and technical skills; institutionalization of the reciprocity principle in public-private relations; the establishment of clear priorities; precedence for macroeconomic stability over industrial goals, and for technology over basic science; strong but not large bureaucracies; coexistence of regulation and flexibility; and a general combination of market-oriented and state-led approaches.

Reporting on preliminary results of a current survey,²⁷ Masiero observed that Brazilian economic and political elites favor a greater role of the state for the general goal of achieving a more just society, but there exists no consensus on the particular policies to be followed. In his view, a basic consensus is an essential element in long-term planning. If planning depends on institution --and confidence-- building, which in turn depend on consistent perceptions, then the development strategy of Brazil to date has been inadequate.

Lawrence Krause made several comments. First, he said that the performance of Korea and Japan not was as superlative as Masiero seemed to suggest. Japanese corporations might be doing well but, as noted before, they are somehow de-linked from

²⁶John Williamson (ed.), *Latin American Adjustment: How Much Has Happened?* (Washington, D.C.: Institute for International Economics, 1990).

²⁷The full text of Masiero's paper is available on the program's Web site (see appendix).

the rest of country, which is experiencing low growth rates; in fact, it may be necessary to deregulate Japan's economy and change the practices of its state bureaucracy, but these changes are politically difficult and do not seem likely. The Korean economy has also been sluggish, and the issue of reunification with North Korea continues to loom large.

Second, Krause suggested that the most relevant case study for Brazil was Malaysia, which has abundant natural resources, rather than Japan and Korea. A key issue for resource-rich countries is how to design an exchange rate mechanism that will maximize performance in both the resource-based and manufacturing sectors. The basic idea is to avoid the vicious cycle whereby the currency becomes overvalued when the terms of trade favor resource-based exports, since overvaluation decreases the competitiveness of manufactured exports.

Finally, Krause stressed the role of domestic savings in the postwar success of Japan and Korea. While this observation echoed Fishlow's insistence on the importance of domestic savings for overall economic performance, Krause noted that it was not simply a question of taking steps to increase domestic savings -- social science still has no satisfactory explanation for different attitudes toward saving rates, and policy instruments adopted to generate incentives for saving have frequently had serious adverse side effects.

If Brazil wants to establish a long-term development plan, Krause concluded, the plan must start by covering areas which only the government can adequately address -- such as education, power, water, and port facilities. Tax incentives are also very important, and must be aligned with the overall strategy (for example, don't tax exports if the aim is to promote them). Finally, even a good plan is not enough; there must also be an entrepreneurial spirit, and this cannot be created by fiat. To this Smith added that planning may be desirable, but it must be politically feasible; he suggested that it might be easier to establish plans for countries with a narrow range of options than for nations with a relatively great number of choices, as in the case of Brazil.

Somewhat in contrast to Masiero's suggestion that Brazil should look to Asia for inspiration and guidance, Gilson Schwartz maintained that Brazil was already following an alternative development model of its own with a new role for the state. Schwartz held that reform of the state encompassed not only constitutional changes but also a revamping of the public finance sector. He contended that while these latter reforms will have a negative impact on state finances in the short term (as Brazil's state-owned banks were being bailed out by the federal government), in the longer term they would result in a strong and efficient system of regulation and the ability to promote development through public banks; in fact, the largest bank in Brazil (the Banco do Brasil) commands more resources than the entire IDB. Not only will the state remain important; new forms of association between the public and private sectors will become increasingly salient, especially with regard to infrastructural development.

Regarding MERCOSUR, Schwartz argued that the principal challenge is coordination of macroeconomic policy, especially of exchange rates between Argentina and Brazil. He expressed the opinion that MERCOSUR cannot be understood solely within the framework of market-led or policy-led economic integration, since it had security-related origins deriving from Brazilian-Argentine nuclear competition and the mutual need to bolster newly democratized regimes. This reasoning coincided with Kahler's admonition that it is important to consider the security and foreign-policy dimensions of regional integration agreements.

James McGuire also propounded a positive view of development trends in Latin America, offering statistics which suggested that in areas related to social welfare, Latin America's performance was actually superior to that of many Asian countries. The ultimate criterion for assessing development strategies, he argued, was not income indicators but the extent to which economic conditions allow individuals to expand their human capabilities – that is, the ability for people to lead the lives that they choose. Indicators of survival-related capabilities (such as long life expectancy and low infant

mortality rates) are important, he suggested, but even more crucial are the conditions which produced those results. High per capita income is neither necessary nor sufficient for the attainment of those goals. While Latin America did worse than East Asia in most income-related areas, Latin America did better in terms of human capabilities. The more gender-sensitive the indicator, too, the better Latin America fared than East Asia.²⁸

McGuire suggested that the superior performance of Latin America in regard to human capabilities might be partly due to the greater emphasis on such welfare-related policies as health care and subsidized food. Though Latin American governments had often been criticized for these policies, which allegedly favor the middle class rather than the poor at the expense of fiscal prudence, the overall effects still appear to be positive in terms of human development. In these areas, at least, East Asia might have something to learn from the Latin American experience.

General Reflections

In his commentary Vinod Aggarwal focused on the relationship between regional integration and national development policies. He suggested three approaches to this topic: first, examining national policies in order to gain insight into prospects for regional integration; second, analyzing ways that regional institutions affect national policies (does policy convergence take place in anticipation of regional integration, for instance,

²⁸As income indicators, McGuire used 1993 per-capita income in PPP terms, the multiple by which 1993 GNP per capita (PPP) exceeded 1960 GNP per capita (PPP), the ratio of income share of richest to poorest 20% in the 1980s, and the proportion of rural population in poverty in 1990. As capability indicators, he used the 1993 average life expectancy, the success at improving life expectancy 1960-1993 (the residuals resulting from life expectancy improvement from 1960 to 1993 regressed on life expectancy in 1960), infant (0-1 yrs.) death per 1000 live births in 1993, the success at reducing infant mortality 1960-1993 (the residuals resulting from infant mortality improvement from 1960 to 1993 regressed on infant mortality in 1960), and UNDP capability poverty measure (the arithmetic mean resulting from the addition of the percentage of births unattended by health personnel, plus the percentage of children under age five that are underweight, plus the percentage of illiterate females).

or do FTAs compel convergence of domestic policies?); and third, exploring analytic distinctions between different modes of linking agreements. One question is whether agreements are “nested” and therefore complementary, or parallel and thus competitive; a second question is whether linkage occurred along substantive lines, producing a kind of “cognitive convergence,”²⁹ or whether integration came about for essentially tactical reasons. In this connection, Aggarwal characterized MERCOSUR as a tactical linkage based on forced integration and part of a Brazilian hegemonic project.

Olga Pellicer was pessimistic about the possibilities for Asian-style development in Latin America, suggesting that it will be difficult to achieve internal consensus on the choice of development model and, even if this were attained, the international environment would pose severe constraints on the range of feasible options. Pellicer thus agreed with Schwartz that the key point is in defining a new role for the state, but she was pessimistic about the prospects for reaching consensus on this issue due to significant differences within some countries in terms of geography and ethnicity.³⁰

On this point, Krause observed that foreign threats and/or economic crises are often necessary to induce popular consensus and policy change. In his view, there already exists a baseline consensus in Latin America: governments now recognize the limits of public policies, economists realize that fine-tuning is insufficient for generating growth, and societies can see the pitfalls and dangers in overly intrusive industrial policies. Thus, the overall challenge for Latin America is to engage the global economy and accept limitations on state sovereignty, while forging new policy instruments to help meet social goals.

²⁹By “cognitive convergence,” Aggarwal meant basically similar view of elites on “how the world works” and thus it has both positive and normative connotations. He argued that a meeting of the minds [my expression] was useful when linking agreements. For arguments along these lines, see Peter M. Haas (ed.), *Knowledge, Power and International Policy Coordination* (Special issue of *International Organization*, Vol. 46, No. 1, Winter 1992).

³⁰There is an important literature on how domestic institutions can contribute to the coexistence of deeply divided societies, which is a first step toward achieving a consensus on substantive issues. The locus classicus is Arend Lijphart, *Democracy in Plural Societies: A Comparative Exploration* (New Haven: Yale University Press, 1977).

For Van Whiting, there is consensus in Latin America on the need for public policy to stress the fundamentals of education and infrastructure. Turning to the relationship between the state and development, Whiting noted that neo-classical economic theory did not eliminate a role for the state; in fact, it asserts that the state should correct market failures (as in the protection of infant industry) and provide public goods. Here, Krause gave the example of medical services, which markets are not very good at providing, and mentioned that East Asia has simply set aside this issue.

For David Mares, the problem with analyses based on the "Washington consensus" is that its acceptance is taken for granted, whereas the United States itself does not follow it to the letter. Mares further argued that over-emphasis of this approach also limits our understanding of Latin America since there is in fact a great deal of policy variation among Latin American countries. Alberto Van Klaveren seconded Mares' remarks and declared that there are no simple solutions for development in Latin America; each country is different and must seek its own solutions. Chile, for example, has created an eclectic model with elements from the European, U.S. and Asian experiences.

Albert Fishlow contended that the emphasis on national planning is altogether wrong, and insisted that the real issue remains the accumulation of internal resources. For him, Latin America should not imitate the "old" Asian way, since that strategy has evolved over time and now grants a substantial role to the market. The key problem for Latin America stems from its low rate of domestic savings, which means that its problems are largely internal. He cited Mexico as an example of the pitfalls facing countries that rely on large and volatile inflows of foreign capital.

Schwartz countered that the problem is not only increasing domestic savings, but reforming the state so it would use fewer resources; he reiterated his point that reforming the state paradoxically entails increasing deficits in the short-term, but alleviates financial pressures in the long run. Schwartz argued that the promotion of domestic savings

should be part of an overall new strategy, since there can be a great deal of difference between a declaration of abstract principles and their actual implementation. He offered a distinction between "savage" privatization (selling at low value for short-term needs) and "strategic" privatization" (selling assets for a fair value as part of a long-term strategy), and said that analogous dilemmas were characteristic of most areas of economic reforms involving liberalization and deregulation.

IV. BUILDING BLOCKS OR STUMBLING BLOCKS? REGIONALISM AND GLOBALISM

Project participants devoted considerable attention to potential relationships between regionalism and globalism. On this question, Albert Fishlow made four points. First, he noted that regional integration was seen as opposed to globalism as recently as a decade ago -- LAFTA for Latin America and comparable efforts in Africa were regarded as alternatives to the multilateral arena.³¹ By contrast, current schemes are creating relatively low rates of protection (with tariff levels around 20-25 percent, compared with 150 percent or more in previous eras). Second, he stressed the importance of major differences between APEC and FTAA: APEC includes several industrialized economies whose aims are consistent with the WTO, while there are only two developed economies (the United States and Canada) involved in the FTAA process; moreover APEC responds largely to market forces, whereas the FTAA must rely on governmental initiative. Third, the earlier deadline for FTAA (2005) does not mean that liberalization will proceed more rapidly in the Americas than in Asia-Pacific; in fact, APEC is contemplating broader

³¹For a quick overview and comparison of old and new regional integration efforts, including Asia, Africa and the Americas, see Augusto De la Torre and Margaret R. Kelly, *Regional Trading Arrangements* (Washington, D.C.: IMF Occasional Papers, March 1992).

tariff reductions than those envisioned for FTAA.³² Finally, Fishlow argued that APEC and the FTAA are fundamentally different because of the presence of security interests in APEC and their virtual absence from FTAA.³³ In short, he concluded that globalism and the WTO still dominate and that the FTAA will not move significantly ahead of the WTO agenda.

Lawrence Krause argued that regionalism and globalism are not only compatible, but that regionalism might provide a necessary stimulus for globalism. He suggested the “bicycle theory” might be relevant in this case: countries either move toward liberalization or they retreat, and they must maintain momentum in order to keep their balance. Krause saw little prospect of forward movement on a global basis, since the WTO is unable to cope with new and complex issues. Regional integration is thus a crucial factor; the trick is to make sure it does not undermine globalism.

Raúl Hinojosa-Ojeda offered an alternative perspective and argued that although economic models have shown that regionalism is not necessarily inimical to globalism³⁴ and could even bolster worldwide liberalization, recent developments led him to more pessimistic conclusions. At the multilateral level, the potential incorporation of large, low wage countries into the WTO (such as China) could pose significant problems since they constitute a kind of “low wage sink.” As for regional initiatives, APEC and FTAA distract the time and attention of government ministers instead of allowing them to focus all their energies on the WTO. The APEC agenda remains somewhat incoherent, he added, and the outlook for the FTAA is discouraging with regard to both market access and investment. Meanwhile, the United States is still deciding whether to request fast-track authority to negotiate Chile's accession to NAFTA and Brazil is pushing for a

³²The date 2005 was selected as the goal for the establishment of free trade at the 1994 Miami Summit, while APEC has the 2010 date for developed countries and 2020 for developing ones.

³³A similar point was made by Haggard.

³⁴A good overview of the building block - stumbling block debate, including references to formal models, is Jeffrey A. Frankel, *Regional Trading Blocs in the World Economic System* (Washington, D.C.: Institute for International Economics, 1997).

SAFTA, a situation that is leading to an open competition between Washington and Brasília. Hinojosa-Ojeda concluded that it would be more advisable for the United States to focus on intra-NAFTA issues, and then strive to multilateralize those preferences via the WTO.

Gabriel Székely concurred with Fishlow's judgment that the United States will be crucial to the integration process and its relation with globalism. And like Moneta, he interpreted Latin America's stance toward Asia as a byproduct of its relationship with the United States; although NAFTA's rules of origin adversely affect Asian interests, for example, Mexico City was unconcerned about their negative impacts. To make NAFTA competitive in world markets, Székely continued, there is need for continent-wide networks through closer links between firms. He also suggested that the United States could strengthen regional fora to bolster negotiations in the WTO, but saw no sign of real commitment by Washington to the coordination of regional arrangements. If anything, in fact, the United States seems perfectly willing to ignore regional and global rules of the game, as illustrated by the passage of the Helms-Burton Act.

To prevent U.S. domination of the global trade agenda, Székely urged for both Latin America and Asia to demand more from the United States. Like Pellicer, he stressed the absence of a policy consensus in Latin America, which he described as one of the area's main differences from the Asia-Pacific region. Partly for this reason, Latin American leaders looked too uncritically to Washington's lead; they privatized state-owned enterprises but did not establish strong competition policies, and they paid scant attention to the fate of small and medium enterprises, which have been critical for Asian success. If Washington has called for the elimination of subsidies, Latin American leaders have tended toward subservient compliance, rather than searching for other policy

instruments that could take the place of subsidies.³⁵ In short, Latin America has suffered from a lack of political imagination.

Taking stock of what is known and not known about regionalism, Miles Kahler observed that current evidence shows that regionalism is not inconsistent with multilateral liberalization, that it can take diverse forms regarding institutional arrangements and the range of issues involved, and that it can vary in the linkages between economics and security (in this regard Latin America is more advanced than Asia, as shown by the positive spillovers from security to economics in the case of MERCOSUR, while in Asia the issues have remained segmented)³⁶. Kahler went on to describe three basic ways of dealing with potential conflict between trade blocs: first, through strengthened surveillance of regional economic groupings by the WTO through Article XXIV provisions;³⁷ second, through intensified negotiations and linkages between trade groups; and third, through merging groups and forming a larger group. As a policy guideline, Kahler expressed preference for global-level solutions over regional options whenever possible. He also proposed that each regional bloc should permit an ombudsman to look after the interests of non-members, probably by allowing an NGO to fulfill that role; this would be a sign of good faith on behalf of the regional bloc and help allay fears of trade and investment diversion.³⁸

What is not known, Kahler commented, is whether regionalism tends to be a cyclical phenomenon, which suggests that current interest in the process might wane; or whether liberalizing trends will continue at the global level, since at present the

³⁵Székely's comments are reminiscent of Albert O. Hirschman's views presented in "The Political Economy of Latin American Development: Seven Exercises in Retrospection" (Notre Dame: Helen Kellogg Institute for International Studies, University of Notre Dame, 1986). In that article, Hirschman argues that Latin American countries had started to follow market-friendly policies in an uncritical manner, at a time when the U.S. was in fact retreating from that approach.

³⁶This characterization of the links between economics and security in Asia and Latin America contrasts with Fishlow's, who sees security interests in the APEC process.

³⁷See Robert Z. Lawrence, *Regionalism, Multilateralism and Deep Integration* (Washington, D.C.: Brookings, 1995), especially chapter 8.

³⁸For more detailed coverage of these issues, see Miles Kahler, *Regional Futures and Transatlantic Economic Relations* (New York: Council on Foreign Relations, 1995).

international environment appears to be unusually benign (making it less necessary for states to devote resources to traditional security). In addition, the effects of globalization on individual societies are not fully understood; globalization is frequently used as a catch-phrase to explain almost everything that happens nowadays, but it remains possible that the economic future of most nations still lies largely in their own hands. Kahler stressed that care should be taken not to ascribe too much to regional integration and globalization.³⁹

Alberto Van Klaveren agreed with this assessment and emphasized that regionalization and globalization embrace not only commerce and finance but culture as well. In this perspective, globalization appears to be more significant than regionalization, and could help to build new bridges between Latin America and Asia. On the issue of diversity among regional arrangements, Van Klaveren noted that the EU allows full factor mobility, which is not the case in NAFTA or APEC; MERCOSUR is a case of "intense" regionalism while Chile prefers and practices "light" regionalism, which can be more easily reconciled with globalism.

Addressing the functional scope of regional arrangements, Richard Feinberg highlighted the long-discussed question of inequality in Latin America. If Latin America were more responsive to U.S. demands in such other areas as drug control, he suggested, it might in return be able to get more attention to problems of income distribution. Van Klaveren responded that it makes a great deal of difference how issues are incorporated, whether at a regional or global level; in his view, income distribution is an internal problem that requires an internal solution. Székely disagreed with this judgment, on the ground that local issues do not always require local solutions (for example, Mexico accepted the inclusion of agriculture in NAFTA, which meant an end to subsidies and the displacement of its agricultural workers; this has spillover effects for the United States, so

³⁹Kahler mentioned New York Times columnist Thomas L. Friedman as an example of the former view and Paul Krugman as an example of the latter. See Paul Krugman, *Pop Internationalism* (Cambridge: Massachusetts Institute of Technology Press, 1996).

it has become a bilateral issue). Kahler expressed skepticism about the link between pro-poor policies and regional integration, suggesting that the diffusion of "best practices" might be most effectively encouraged by example and through the exchange of ideas.

Schwartz then turned to security issues, and argued that they are still important not only in Asia-Pacific, but also in Latin America, as exemplified by Brazil's interests in the South Atlantic, the security component of the Amazon biomass, and the strategic dimension of the Bolivia-Brazilian gas pipeline. Mares wondered, however, about the connection between economic integration and geopolitical security; in fact, he observed, commercial linkages have often coexisted with security conflicts, which means that good economic relations do not imply that security concerns disappear. Economic links do not necessarily foster greater political cooperation; in his view, a rapprochement on security should precede the intensification of economic ties.

Thus concluded the conference and public sessions associated with the Year I focus on regional integration under the UCSD project on Latin America and the Pacific Rim. As the dust was still settling, program organizers began plans and strategies for Year II activities on "cultural encounters" between Asia and Latin America, with particular emphasis on cultural dimensions of economic interaction between the two regions. Further news will follow in due course.

APPENDIX I
DESCRIPTION OF PROJECT

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APPENDICES

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APPENDIX 1. DESCRIPTION OF PROJECT

The purpose of UCSD's program on "Latin America and the Pacific Rim" is to promote understanding of increasingly important relationships between Asia and Latin America. Over the past decade or two, "trans-Pacific" connections between these two regions have taken multiple forms—as evinced by the presence of Chile and Mexico in the Asia-Pacific Economic Cooperation forum (APEC), by Japanese reactions to the presidency of Alberto Fujimori in Peru, and by the surprising popularity of Brazilian *telenovelas* in mainland China. In a globalizing and interdependent world, relations between Asia and Latin America are bound to become ever more salient and complex.

Yet there has been little scholarly attention to such inter-regional connections. To be sure, a substantial and still growing literature focuses on comparative strategies for economic development—particularly as the international community has urged Latin America to pursue a so-called "Asian model" of export-oriented growth.¹ Volumes have also appeared on economic ties between individual Asian countries, especially Japan, and nations of Latin America.² But on the whole, academic studies of trans-Pacific questions involving Latin America tend to be sporadic, selective, and uneven. The number of scholars working on trans-Pacific issues is extremely small; in Latin America and Asia (perhaps with the exception of Japan), the institutional resources for research and study of these questions range from scant to minuscule.

The general goal of the UCSD initiative is to focus systematic research on relationships between Asia and Latin America, to assist in the training of future leaders in the two regions, and to create a network of like-minded scholars and analysts. The UCSD effort would thus establish an institutional base for continuing consideration of Latin America's place within the Pacific Rim.

To achieve its purposes, the UCSD program engages in several activities:

- (1) international research conferences on critical topics affecting Latin America and the Pacific Rim;
- (2) policy analysis, through the periodic publication and dissemination of reports on key policy issues;

¹For example see Mitsuhiro Kagami, *The Voice of East Asia: Development Implications for Latin America* (Tokyo: Institute of Developing Economies, 1995).

²See Kotaro Horisaka, Barbara Stallings, and Gabriel Székely (eds.), *Japanese Involvement with Latin America in the New International Environment: Perspectives from Japan, the U.S., and Latin America*, in Japanese (Tokyo: Doubankan, 1991, and published in English as *Japan, the United States, and Latin America: Toward a Trilateral Relationship in the Western Hemisphere* (Baltimore: Johns Hopkins University Press, 1993); Gabriel Székely, *Manufacturing across Borders and Oceans: Japan, the United States, and Mexico* (La Jolla: Center for U.S.-Mexican Studies, University of California, San Diego, 1991).

- (3) residential fellowships for beginning and mid-career people from Asia and Latin America (scholars, journalists, business people, and public officials) who come to UCSD for periods of research and study; and
- (4) institution-building, through (a) creation of a computerized roster of scholars and experts with interests in Latin America/Pacific Rim issues, (b) development of an inventory of research-in-progress, and (c) circulation of a newsletter.

Through its institution-building efforts, UCSD thus seeks to help meet a critical need for the development of human and intellectual resources within the two regions—and to benefit research and teaching at the University of California.

SCHEDULE OF ACTIVITIES

To initiate the program, UCSD has received a major grant from the Ford Foundation, with additional support from the John D. and Catherine T. MacArthur Foundation and the Pacific Rim Research Program of the University of California. For each of two academic years (1996-97 and 1997-98), these funds will support one international research conference plus a handful of residential fellowships for visitors to UCSD from Asia and Latin America.

Year I: Regional Economic Integration: The first round of activities has focused on contemporary processes of regional economic integration. The North American Free Trade Agreement (NAFTA) has provoked much concern in Japan and other Asian countries, and commitments in favor of “free trade” within the Asia-Pacific region and for the Western Hemisphere as a whole have raised profound questions about the eventual compatibility of these developments. What will be the relationship between NAFTA and APEC? What is likely to be the relationship between APEC and the currently-envisioned Free Trade Area of the Americas (FTAA)? In terms of public policy, what would be the most efficient and effective forms of regional integration in the Asia-Pacific area and the Western Hemisphere? The ultimate question is whether these regional schemes are likely to create hostile blocs or to promote globalization.³ A goal of the program has been to identify the factors and conditions that would lead to either outcome.

Year II: Cultural Encounters: The second set of activities, scheduled for 1997-98, will focus on “cultural encounters” between citizens and societies of the two regions. How do citizens of Asia and Latin America interact with one another? What are the stereotypes about one another, and where do they originate? This effort will entail examination a wide range of sources—from literary texts, popular art, and ethnographic studies to school curricula and public opinion surveys.

³ For preliminary analysis see Shoji Nishijima and Peter H. Smith (eds.), *Cooperation or Rivalry? Regional Integration in the Americas and the Pacific Rim* (Boulder: Westview, 1996).

To the best of our knowledge, there is scarcely any systematic research in this area. The Japanese government publishes surveys on the attitudes of citizens toward the world as a whole, including Latin America, but the data are not available for secondary analysis. One scholar has used public-opinion techniques to evaluate conceptions of Japan among university students in Latin America.⁴ Another has begun to explore the cultural identity of Japanese-origin *nisei* in Brazil.⁵ There has been almost no work done on images of the two regions as conveyed in popular literature; the fairly voluminous writings on Asia and "the West" tend to concentrate on interactions with Western Europe and the United States (and sometimes Australia).⁶ We do not know of any serious attention to material about the other region in school curricula. This appears to be open terrain.

The basic plan for Year II is to bring visiting fellows from Asia and Latin America to UCSD in February-March 1998, and to hold a major conference on the topic of cultural encounters in early March. While the first-year project on regional integration involved collaboration between economists and political scientists, this second-year effort will promote cooperation between humanists, historians, and sociologists.

In addition to the conferences and fellowships, UCSD has created a Web site of academic specialists with Latin America/Pacific Rim interests and an inventory of research-in-progress. (To view site, access URL <http://orpheus.ucsd.edu/las/prpweb.htm>).

⁴Kotaro Horisaka, "Japan's Image in Latin America and the Future of Japanese-Latin American Relations," *Iberoamericana* 13, no. 1 (1991): 25-36.

⁵Takeyuki Tsuda, "'Japanese' in Brazil, but 'Brazilian' in Japan: Japanese-Brazilian Return Migration and the Construction of Ethnic Minority 'Counter-Identities,'" paper presented at colloquium of Department of Anthropology, UC-San Diego, January 1996.

⁶See Jianguang Wang (ed.), *Westerners Through Chinese Eyes* (Beijing: Foreign Languages Press, 1990), and Colin Mackerras, *Western Images of China* (Hong Kong: Oxford University Press, 1989). As Mackerras points out, European interest in China during the sixteenth century was greatly stimulated by Portuguese and Spanish authors, especially Juan González de Mendoza.

APPENDIX 2. CONFERENCE AGENDA

February 28 - March 1, 1997

Session 1. Latin America and the Pacific Rim: Economic Prospects

Moderator:

Richard Feinberg (IR/PS)

Presentations:

Kihwan Kim, Kim & Chang, Korea, "A View from Asia - Pacific"

Carlos J. Moneta, Sistema Económico Latinoamericano, Venezuela, "A View from Latin America"

Comment:

Lawrence Krause, IR/PS

Albert Fishlow, Council on Foreign Relations, New York

Colleen Morton, Institute of the Americas, La Jolla

Session 2. Asia - Pacific Economic Cooperation: Dynamics and Developments

Moderator:

Peter H. Smith, CILAS

Presentations:

Robert Scollay, University of New Zealand, "APEC's Manila Action Plan"

Marcela G. Romero, El Colegio de México, Mexico, "Labor Migration in APEC"

Suthiphand Chirathivat, Chulalongkorn University, Thailand, "ASEAN, APEC, and the Americas"

Omar Martínez Legorreta, El Colegio de México, "APEC and Latin America"

Comment:

Miles Kahler, IR/PS

Mark J. Spalding, IR/PS

Session 3. Investment and Capital Flows

Moderator:

Lawrence Krause, IR/PS

Presentations:

Sayuri Kuwabara, Japan Center for International Finance, "Capital Flows to Asia and Latin America in the 1990s"

Hernán B. Gutiérrez, University of Chile, "Asian Conglomerates in Chile and Latin America"

Taik-Hwan Jyoung, Counselor on Foreign and Defense Affairs, Republic of Korea, "Korean Investments in Latin America"

Kotaro Horisaka, Sophia University, Japan, "Business Corporations: Regional Integration Players in Asia and Latin America"

Comment:

Mireya Solís, Center for U.S.-Mexican Studies, UCSD

Session 4. National Development Strategies and Regional Integration

Moderator:

Van R. Whiting, Jr., Center for U.S.-Mexican Studies, UCSD

Presentations:

Gilmar Masiero, University of Campinas, Brazil, "Comparative Planning Strategies in Asia and Latin America"

Gilson Schwartz, Brazilian Society for the Study of Japan and the Pacific Rim, "Brazilian Economic Development: An Alternative Model?"

James W. McGuire, Wesleyan University/ Pacific Council on International Policy, "Development Policy in East Asia and Latin America"

Comment:

Vinod Aggarwal, University of California, Berkeley

Olga Pellicer, Instituto Matías Romero, Mexico

Session 5. Round Table: Regionalism vs. Globalism

Moderator:

Richard Feinberg, IR/PS

Discussants:

Albert Fishlow, Council of Foreign Relations, New York

Raúl Hinojosa-Ojeda, University of California, Los Angeles

Gabriel Székely, El Colegio de México, Mexico

Miles Kahler, IR/PS

Alberto Van Klaveren, University of Chile/ Chilean Foreign Ministry

Abraham F. Lowenthal, University of Southern California/ Pacific Council on International Policy

Lawrence Krause, IR/PS

University Pacific Council on the
James W. McGinnis, West
in Asia and Latin America
Development

Volume

APPENDIX 3. SEMINAR PRESENTATIONS

February, Mexico

1. **Lawrence Krause** (IR/PS) "Globalism and Regionalism: Setting the Agenda" (February 4)
2. **Stephan Haggard** (IR/PS) and **Colleen Morton** (IOA) "Regional Integration in the Americas" (February 11)
3. **Richard Drobnick** (USC) "Regional Integration in the Asia - Pacific Area" (February 18)
4. **Miles Kahler** (IR/PS) "Linking Integration Schemes: Scenarios and Prospects" (February 25)

Volume

Journal of Foreign Relations, New York

Richard Higg

Journal of Latin American Studies

Journal of Latin American Studies

Journal of International Law and International Relations

Journal of International Law and International Relations

Journal of International Law and International Relations

APPENDIX 4. VISITING FELLOWS

Suthiphand Chirathivat (Chulalongkorn University, Thailand)

ASEAN, APEC and the Americas: Interconnections in Regional Integration

Hernán B. Gutiérrez (Universidad de Chile)

Asian Conglomerates and Regionalism in the Southern Cone of Latin America

Sayuri Kuwabara (Japan Center for International Finance, Japan)

Capital Flows to Latin America and Asia in the 1990s and the Role of Japan

Taik-Hwan Jyoung (Counselor on Foreign and Defense Affairs, Ministry of Finance and Economy, Republic of Korea)

Korean Investments in Latin America

Gilmar Masiero (University of Campinas, Brazil)

Comparative Planning Strategies in East Asia and Latin America

Marcela G. Romero García (El Colegio de México, Mexico)

Migrant Labor in the Asian Pacific Economic Cooperation (APEC)

APPENDIX 5. VISITING FELLOWS' POLICY AND RESEARCH RECOMMENDATIONS

The Visiting Fellows made a series of policy and research recommendations, based on their own research and on their assessment of the conference proceedings. These recommendations are reproduced below:

Regional Integration and the Global Arena

(a) Optimal level of integration

- Do not overstate the positive or negative impact regionalism has on the global arena and on individual countries, and recognize that some issues are better dealt with at a global level, others at a regional level and still others at a national level.
- High levels of economic interaction between nations is a characteristic of the world political economy in the last decades of the 20th century. The welfare of countries is better served if they try to engage this reality than if they try to avoid it.
- Multilateral liberalization is superior to regional arrangements and should be the ultimate goal of regional integration. While at present regionalism appears to be compatible with multilateralism, efforts should be made to ensure that compatibility is maintained for the foreseeable future.

(b) Non-economic issues

- There are non-economic objectives of RIA, such as political gains as a means toward future political integration, foreign policy and security gains as ASEAN shows, and insurance against unfair trade laws and non-tariff barriers in general. These non-economic effects should be contemplated when assessing the effects of regional integration.

Policy Recommendations

(a) Roles for existing institutions

- RIA should at a minimum be consistent with WTO Article XXIV, and Article XXIV itself should be strengthened to allow more effective monitoring and enforcement. The possibility of modifying Article XXIV, such that the countries forming a RIA are obligated to reduce external tariffs toward non-members, should be explored. This reduction can proceed in a way that the overall level of external tariffs is reduced but,

given the removal of intra-regional tariffs, the margin of difference between external and internal preferences is maintained.

- **Overlapping membership in regional organizations will foster the maintenance of an open world trading system and facilitate the complementarity between regionalism and multilateralism, and should thus be encouraged.** For instance, the incorporation of additional non-regional members to the IDB, such as Korea, should be countenanced. American states that are not members of APEC should be allowed to send an observer, perhaps through SELA, and APEC should also be allowed to send an observer to the FTAA process.
- **The accession of several more Latin American countries into APEC, above all that of Peru, should be encouraged.**

(b) Establishment of new fora

- **The creation of a tripartite forum (government, academia, business) in America, analogous to the PECC, should be encouraged.** Once it is established, close ties with PECC should be sought. The IDB, SELA or similar regional institutions could play a leading role in the creation of this forum. Latin American countries should use this forum to pursue a more proactive policy toward the attraction of Asian investment.
- **A Wise Persons' Forum on Trade and Investment between Asia and Latin America should be established.** It should be chaired by Asia and Latin America, and membership should include all of America. The forum should set the basic agenda and means for cooperation and a series of basic actions to be taken by the year 2000. Among the actions to be carried out should be Asia-Latin America periodic summit meetings. These meetings should produce detailed proposals within five years, and in any event before the year 2005.
- **A database on the state of relations (formal agreements, statistics, lists of investment projects, etc.) between Asia and Latin America should be established.** It could have three bases (US, Latin America, Asia), and be linked through the internet. Access to the database for business, government and academia should be facilitated.

(c) Issue-specific recommendations

- **Issues that have so far received insufficient attention in RIA should be formally incorporated into the formal agenda.** Chief among them are human rights and illegal migration, and the prevention and handling of financial crises.

Research Themes

(a) Migration

- Research possible ways to deal with the negative consequences on developing countries by the hiring of their skilled blue and white-collar workers in developed countries.

(b) Institutional forms and institutional evolution

- Analyze the pros and cons of formal/ legalistic integration schemes as opposed to more informal ones. Special emphasis should be put on the effects of different regional integration models regarding social welfare issues such as income inequality, literacy and unemployment.
- Identify the type of problems better dealt with at a multilateral, regional and national basis, respectively.
- Study the domestic politics of accession, and how it impacts the evolution of RIA and its relation with the multilateral process. Greater information on the perception of policy makers, business leaders and the public at large regarding economic integration will be useful in this regard.
- Assess the implications of excluding the Middle East from all major RIA.

(c) Savings and investment

- Study the determinants of high domestic savings in Asia and low domestic savings in Latin America.
- Study FDI behavior and impact on recipient countries according to country of origin.
- Identify basic impediments to trade and investment of a legal and extra-legal nature and the means for removing such impediments.

APPENDIX 6. ROSTER OF PROJECT PARTICIPANTS

Vinod Aggarwal is Professor of Political Science, an Affiliated Professor of Business and Public Policy in the Haas School of Business, and Director of the Berkeley Asia Pacific Economic Cooperation Study Center at the University of California at Berkeley. He is the author of *Liberal Protectionism, International Debt Threat and Debt Games*, and co-author of *Les Horloges Sociales de la Confrontation* and *Le Renseignement Strategique d'Enterprise*. He was editor and co-editor, respectively, of the forthcoming books, *Crafting International Institutions* and *Regime Creation in the Asia-Pacific: The Future of APEC*.

Suthiphand Chirathivat was a Visiting Fellow at CILAS studying ASEAN, APEC and the Americas. He is based at Chulalongkorn University in Thailand where he is the Director of the European Studies Program. He earned a Bachelors Degree in Economics from Aix-Marseille University, a Masters Degree and a Doctorate Degree from the Sorbonne University.

Richard L. Drobnick is Vice Provost for International Affairs and Executive Director at University of Southern California, Executive Director of IBEAR and Director of the School of Business Administration's Center for International Business Education and Research (CIBEAR). He is a Vice President and Director of the United States National Committee for Pacific Economic Cooperation (U.S.-PECC), a Director of the Japan America Society of Southern California, and a member of the Council on Foreign Relations and the Academy of International Business. He is noted authority on U.S. trade policy and Pacific Rim economic issues. He earned a Ph.D., from the University of Southern California.

Richard Feinberg is Dean of the Graduate School of International Relations and Pacific Studies at UCSD. Before coming to UCSD, Feinberg was a Visiting Fellow at the Institute for International Economics in Washington, D.C. From 1993 to 1996, he served as Special Assistant to the President and Senior Director for Inter-American Affairs at National Security Council, where he was a principal architect of the Summit of the Americas. Before entering the Administration, Feinberg was President of the Inter-American Dialogue, and previously served as Executive Vice President and Director of Studies at the Overseas Development Council. He has written more than 100 books and articles, including *The Intemperate Zone: The Third World Challenge to U.S. Foreign Policy*, and the newly published *Summitry in the Americas*.

Albert Fishlow is a Senior Fellow of Economics, Council on Foreign Relations in New York. Fishlow joined the Council after an academic career as Professor of Economics at UC Berkeley and at Yale University. He served as Deputy Assistant Secretary of State for Inter-American Affairs during the Carter administration. He has done extensive research on Brazil, and is currently focusing on cross-regional issues of trade and

economic integration in the Latin American, Asian, and European contexts. Among his recent publications are *Latin American Failure Against the Backdrop of Asian Success*, and *Contending with Capital Flows*.

Hernán B. Gutiérrez was a Visiting Fellow at CILAS studying Asian conglomerates in Chile and Latin America. Gutiérrez is a Professor of International Relations at the University of Chile. He earned a Bachelor's Degree in Economics from the Catholic University of Chile and a doctorate in Political Science from the Sorbonne, followed by post-doctoral studies at Georgetown University.

Raúl Hinojosa-Ojeda is an Assistant Professor of Urban Planning at UCLA, where his research focuses on regional integration between the United States, Mexico and other Latin American countries. Hinojosa-Ojeda recently completed a book on the political economy of U.S.-Mexican relations in the 20th Century, including an analysis of the impact of NAFTA. His other writing credits include co-editing *Labor Market Interdependence Between the United States and Mexico* (1992) and *Latinos in a Changing U.S. Economy: Comparative Perspectives on the U.S. Labor Market Since 1939* (1991).

Kotaro Horisaka is a Professor of Latin American Studies at Sophia University in Japan, and member of the International Advisory Board overseeing the "Latin America and the Pacific Rim" program at UCSD. For many years, Horisaka reported on Latin America from the Brazil bureau of *Nihon Keizai Shimbun*, Japan's daily financial newspaper. He earned a Bachelors Degree in Economics from the International Christian University of Tokyo.

Sayuri Kuwabara was a Visiting Fellow at CILAS studying capital flows to Asia and Latin America in the 1990s. Kuwabara is a Researcher at the Japan Center for International Finance in Tokyo. She holds a Bachelors Degree from the Spanish Department at Tokyo University of Foreign Studies, and a Masters Degree from the Latin America Studies Program at Georgetown University.

Taik-Hwan Jyoung was a Visiting Fellow at CILAS studying Korean investments in Latin America. Jyoung is a Counselor on Foreign and Defense Affairs for Korea's Ministry of Finance and Economy. He earned a Bachelor's Degree in Business Administration at National University in Seoul and a Masters Degree in Economics at the University of Paris.

Miles Kahler is Rohr Professor of Pacific International Relations and Director of Research at the Graduate School of International Relations and Pacific Studies at UCSD. Kahler was Senior Fellow in International Political Economy at the Council on Foreign Relations, and was a Visiting Professor at the Center for Advanced Study in the Social Sciences at the Juan March Institute in Madrid. Before joining the UCSD faculty, he taught at Princeton and Yale Universities. Among his recent writing credits are co-editing *Regionalism and Rivalry: Japan and the U.S. Pacific Asia, International*

Institutions and the Political Economy of Integration, and Regional Futures and Transatlantic Economic Relations.

Kihwan Kim is a partner of Seoul's Kim and Chang, and a member of the International Advisory Board overseeing the "Latin America and the Pacific Rim" program at UCSD. Among Kim's recent writings is *Liberalization in the Process of Economic Development*, which he co-edited with Lawrence Krause.

Lawrence Krause received his Bachelors and Masters Degrees from the University of Michigan, and his Ph.D. from Harvard University. In 1987, Krause became the first appointment to the Graduate School of International Relations and Pacific Studies at UCSD. He was named Director of the Korea-Pacific Program in 1989, and the next year became the first holder of the Pacific Economic Cooperation Chair. Krause has been an Assistant Professor at Yale University, a Senior Staff member of the Council of Economic Advisers, and a Senior Fellow of the Brookings Institution. He is a member of the Council on Foreign Relations, and Vice Chair of the U.S. National Committee for Pacific Economic Cooperation. His writings include *Liberalization in the Process of Economic Development* (co-edited with Kihwan Kim), and *Social Issues in Korea: Korean and American Perspectives* (co-edited with Foo-Koo Park).

Abraham F. Lowenthal is the founding President of the Pacific Council on International Policy in Los Angeles, as well as Vice President and Deputy National Director of the Council on Foreign Relations in New York. Lowenthal is a Professor of International Relations at the University of Southern California and Director of USC's Center for International Studies. He was the founding Director of both the Latin American Program at the Woodrow Wilson International Center for Scholars and the Inter-American Dialogue. Lowenthal has authored, edited and co-edited a dozen books and numerous journal articles.

Omar Martínez Legorreta is Professor and Researcher of International Relations in East Asia and Pacific Studies at El Colegio de México. Martínez was Mexico's ambassador to Albania and the former Yugoslavia from 1979 to 1981, and to China, Vietnam and Kampuchea from 1975 to 1979. He earned a Bachelors Degree in Political Science from the Autonomous National University of Mexico, and a Masters Degree from the School of Advanced International Studies at Johns Hopkins University. He is currently writing a book on Japan and APEC.

Gilmar Masiero was a Visiting Fellow at CILAS studying comparative planning strategies in East Asia and Latin America. Masiero, a Professor and Researcher at the University of Campinas in São Paulo, Brazil, holds a doctorate in Business Administration.

James W. McGuire is Associate Professor in the Department of Government at Wesleyan University. McGuire, who is currently a Visiting Scholar at the Pacific Council on International Affairs in Los Angeles, is author of *Peronism Without Perón* (1977) and numerous articles on political parties and trade unions in Argentina,

transitions from authoritarian rule in Latin America, and the political economy of development in East Asia and Latin America.

Carlos Moneta has served as Permanent Secretary of the Latin American Economic System (SELA) since 1995. Moneta has held many high-level posts in his native Argentina and for international organizations, including UNESCO and the United Nations Development Program. He holds a Bachelors Degree in International Relations from Argetina's Universidad del Salvador, a Masters Degree in International Relations from the University of Pennsylvania. He completed doctoral studies in Political Science at the University of New York, and is a doctoral candidate in Social Sciences at Universidad Central de Venezuela. Moneta has taught at universities in Argentina, Brazil, Chile, Costa Rica, Colombia, Cuba, France, Germany, Hungary, Italy, Japan, Mexico, Russia, Spain, Sweden, the United States and Venezuela. Among his recent books are *Japan and Latin America in the Nineties: New Economic Options* (1992) and *The Rules of the Game: Latin America, Globalism and Regionalism* (1994).

Colleen S. Morton is Vice-President and Director of Research at the Institute of the Americas. Morton is also the U.S. Coordinator of the U.S.-Mexico Environmental Business Committee, and a frequent speaker on NAFTA. Before joining the Institute in 1993, she was Executive Director of the U.S. Council of the Mexico-U.S. Business Committee, and Director of Mexico Programs for the Council of the Americas in Washington D.C. She previously served as a Foreign Service Officer with the Department of State in Venezuela, New Zealand and Canada. In 1990, Morton was named Woman of the Year by Washington, D.C. – based Women in International Trade. She received a Bachelors Degree in International Relations from Carleton College in Minnesota, and a Masters Degree in International Political Economy from the University of Washington.

Olga Pellicer is Director General of Mexico's diplomatic academy, the Instituto Matías Romero, and a member of the Board of Governors of the Autonomous Metropolitan University in Mexico City. Pellicer is also a member of the Mexican Academy of Human Rights and the International Advisory Board for the "Latin America and the Pacific Rim" program at UCSD. Pellicer earned degrees in International Relations from the Autonomous National University of Mexico and the Faculty of Law of the University of Paris. She has taught at Mexico's Autonomous Technological Institute (ITAM), El Colegio de México and the Instituto Matías Romero, and has been a Visiting Fellow at Oxford University. Among her most recent books are *International Security in Latin America and the Caribbean: Contemporary Debate*, *The United Nations Today: Mexico's Vision and Mexico's Voice in the United Nations General Assembly*.

Marcela G. Romero García was a Visiting Fellow at CILAS studying labor migration patterns in APEC countries. Romero is a Researcher in the APEC Study Program at El Colegio de México in Mexico City. She earned her Bachelors Degree in International Relations at the Autonomous National University of Mexico, and her Masters Degree in Political Sociology of Development at the University of Leeds in England.

Gilson Schwartz is a Visiting Professor at the International relations Program of the University of São Paulo, and a Ph.D. Professor at the Institute of Economics at the University of Campinas. Schwartz is also Chief Editor of *Brazil Investment Link*, an Internet site sponsored by the American Chamber of Commerce of São Paulo, and Editorial Advisor to the daily newspaper *Folha de São Paulo*.

Robert Scollay is Director of the APEC Study Centre and a Senior Lecturer in Economics at the University of Auckland, New Zealand. He is also New Zealand convenor for the PECC Trade Policy Forum, and is involved in several research projects relating to the trade liberalization in the Asia-Pacific region and the impact of APEC on the region. He also co-authored a macroeconomics textbook about recent reforms of the New Zealand economy.

Peter H. Smith is a professor of Political Science, the Simón Bolívar Professor of Latin American Studies, Director of the Center for Iberian and Latin American Studies, and Director of Latin American Studies at UCSD. Smith is a graduate of Harvard College and received his doctorate from Columbia University. Smith's publications have appeared in at least six foreign languages, and include more about fifteen books and about sixty book chapters or journal articles. He is co-author of *Modern Latin America* (1984), now in its fourth edition, editor of *Drug Policy in the Americas* (1992), editor of *The Challenge of Integration: Europe and the Americas* (1993), and editor of *Latin America in Comparative Perspective: New Approaches to Issues and Analysis* (1995). His newest book is *Talons of the Eagle: Dynamics of U.S.- Latin American Relations*.

Mireya Solís is a Visiting Research Fellow at the Center for U.S.-Mexican Studies at UCSD, and a doctoral candidate in Political Science at Harvard University. As part of her dissertation topic, "The Political Economy of Japanese Foreign Direct Investment: Implications for North America," Solís is analyzing how Japanese government assistance and business support have helped uncompetitive Japanese industries to relocate overseas. She has written on Japanese investment in North America and the initial Japanese reaction to NAFTA, on the globalization of the Japanese electronics industry, and on Japanese auto and electronic part makers with investments in the U.S. and Mexico.

Mark J. Spalding is nationally prominent environmental attorney and a Guest Scholar at the Center for U.S. Mexican Studies at UCSD. He holds a J.D. degree from Loyola Law School in Los Angeles, and a Master of Pacific International Affairs degree from the Graduate School of International Relations and Pacific Studies at UCSD. Spalding helped negotiate the North American Agreement on Environmental Cooperation, and served as consultant to the Inter-American and North American Development Banks, the North American Commission for Environmental Cooperation, the Natural Resources Defense Council, and other environmental organizations.

Gabriel Székely is a business and government consultant in the United States and Mexico, specializing in the global telecommunications industry, and has held important academic positions at El Colegio de México and UCSD. Székely is also a guest conductor of Mexico's leading TV news analysis show, and writes a weekly column in

that country's largest circulation daily newspaper, *El Universal*. Székely holds a Bachelors Degree in International Relations from the Autonomous National University of Mexico, Masters Degrees from Tufts and Johns Hopkins Universities, and a doctorate in Political Science from George Washington University. Among his most recent writings are *Teléfonos de México: A Privatized Firm* (1995), *Japan, the United States and Latin America: A New Trilateralism in the Western Hemisphere?* (1993) and *Manufacturing Across Borders and Oceans: Japan, the United States and Mexico* (1991).

Alberto Van Klaveren is Director of Policy Planning for the Chilean Ministry of Foreign Affairs, and a Professor at the University of Chile's Institute of International Studies. Van Klaveren is Secretary of the Board of the Chilean Pacific Foundation, and a member of the Boards of the Chilean Political Science Association and Chilean Agency for International Cooperation. He also sits on the International Advisory Board for the "Latin America and the Pacific Rim" program at UCSD. Van Klaveren's most recent writing credits include editing *America in the World* (1977), co-writing *The End of the Cold War and the Bipolar World: What are the Implications for South America?* (1993), and co-editing *Latin America and Western Europe on the Verge of the 21st Century* (1989).

Van R. Whiting, Jr. is Senior Fellow at the Center for U.S.-Mexican Studies, and Director of Competitiveness Project, which compares the automobile, information and biotechnology industries in Mexico, Brazil, and India. Before coming to UCSD, Whiting held a post-doctoral fellowship at UC Berkeley and later taught Political Science at Brown University. He has been a Visiting Scholar at Harvard University's Center for International Affairs, and a visiting lecturer at Stanford University and Swarthmore College. He holds a Bachelors Degree in Political Science from Yale University, and Masters and doctoral Degrees from Harvard. Whiting was a founding Director of the World Trade Center Institute in San Diego, and has spoken widely and published many articles on economic policy, competitiveness and regionalization in Europe, the Americas and Asia. He is the author of *The Political Economy of Foreign Investment in Mexico: Nationalism, Liberalism and Constraints on Choice* (1992) and editor of *Regionalization in the World Economy: NAFTA, the Americas, and Asia-Pacific* (1996), and is currently editing a volume on "Globalization in the World Economy: Liberalization and Competitiveness in Emerging Markets."

APPENDIX 7. LIST OF ACRONYMS

ADB	Asian Development Bank.
AFTA	ASEAN Free Trade Area. Free trade area established in 1992 by Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
APEC	Asia Pacific Economic Cooperation. Established in 1979; current members are Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei (Taiwan), Hong Kong, Indonesia, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Singapore, Thailand, and the United States.
ASEAN	Association of Southeast Asian Nations. Mechanism for regional coordination in a variety of policy areas established in 1967. Current members are Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
CILAS	University of California, San Diego's Center for Iberian and Latin American Studies.
EU	European Union.
FDI	Foreign direct investment.
FTAA	Free Trade Area of the Americas.
GATT	General Agreement on Tariffs and Trade. Superseded by the WTO in 1994.
GNP	Gross national product.
IDB	Inter-American Development Bank.
ILO	International Labor Organization.
IMF	International Monetary Fund.
IOA	Institute of the Americas.

IR/PS	University of California, San Diego's Graduate School of International relations and Pacific Studies.
LAFTA	Latin American Free Trade Association, established in 1960. Its members were Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. It was superseded in 1980 by the Latin American Integration Association.
MERCOSUR	Southern Cone Common Market. Common market established in 1991 by Argentina, Brazil, Paraguay and Uruguay. Bolivia and Chile are associate members.
MNC	Multinational corporation.
MFN	Most Favored Nation principle. Key mechanism underpinning the non-discrimination principle of GATT. It requires that any concession granted to one member by another member be extended to all other members.
NAFTA	North American Free Trade Agreement. Free trade agreements between Canada, Mexico and the United States in 1994.
NGO	Non-governmental organization.
PECC	Pacific Economic Cooperation Council. Tripartite (government, business, academia) organization established in 1980 to foster regional economic cooperation. Current members are Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei (Taiwan), Colombia, Honk Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Pacific Island Nations, Peru, Philippines, Russia, Singapore, Thailand, United States, and Vietnam.
PPP	Purchasing Power Parity.
RIA	Regional integration agreements.
SAFTA	South American Free Trade Agreement.
SELA	Sistema Económico Latinoamericano.
UCSD	University of California, San Diego.
UNDP	United Nations Development Program.
USC	University of Southern California.
USTR	United States Trade Representative.
WTO	World Trade Organization. Multilateral trade organization that succeeded the GATT in January 1994.