

**THE FUTURE OF HEMISPHERIC FREE  
TRADE:  
TOWARDS A UNIFIED HEMISPHERE?**

TABLE OF CONTENTS

I.	INTRODUCTION .....	636
II.	HEMISPHERIC INTEGRATION: THE FREE TRADE AREA OF THE AMERICAS (FTAA).....	639
	A. <i>Origins of the Concept</i> .....	639
	B. <i>The Denver Declaration</i> .....	640
	1. <i>The “Building Block” Approach</i> .....	642
	2. <i>Chile’s Potential Accession to NAFTA</i> .....	644
	C. <i>An Alternate Route to a FTAA: MERCOSUR</i> .....	652
	1. <i>The Chile-MERCOSUR Link</i> .....	653
	2. <i>The Widening and Deepening of MERCOSUR: The Bolivian and Mexican Links</i> .....	654
	3. <i>The Widening and Deepening of MERCOSUR: The Andean Pact Link</i> .....	655
	4. <i>The Widening and Deepening of MERCOSUR: The European Union Link</i> .....	
III.	A REMINDER: THE IMPORTANCE OF THE INDIVIDUAL LATIN AMERICAN NATION IN THE PUSH FOR FREE TRADE—CHILE’S EXAMPLE .....	
	A. <i>Bilateral Regional Agreements</i> .....	
	B. <i>Transcontinental Trade Relations</i> .....	
IV.	CONCLUSION .....	

## I. INTRODUCTION

Although the push for free trade among neighboring nations has been a reality for some time, as evidenced by the implementation of bilateral treaties between nations, the concept of free trade itself has taken on global proportions. The original bilateral trade agreements between neighboring countries have ballooned to encompass whole regions, and countries are implementing new treaties to cross hemispheric boundaries. Now that this commitment to increased free trade has been established, the only real questions are: "What form [free trade] will take, and who will be the traders?"<sup>1</sup> In 1992 the North American Free Trade Agreement (NAFTA),<sup>2</sup> between the United States, Canada, and Mexico, opened the doors to free trade among those nations. Many assumed that NAFTA's growth would naturally continue, linking its original members with Latin American nations, and eventually culminating in a hemispheric free trade agreement.

For a time, NAFTA's promise seemed plausible, with the Latin American nation of Chile taking the necessary steps to become the trade group's fourth member.<sup>3</sup> However, NAFTA-Chile negotiations have stalled,<sup>4</sup> and current U.S. passivity regarding this issue has significant implications for the future direction of free trade in the Western Hemisphere.

---

1. Randy Krehbiel, *Forum Will Focus On Expansion of Free Trade*, TULSA WORLD, Sept. 17, 1996, at A9 (discussing the concept of a free trade zone stretching from Alaska to Argentina).

2. North American Free Trade Agreement, Dec. 17, 1992, Can.-Mex.-U.S., 32 I.L.M. 289 [hereinafter NAFTA] (establishing a free trade area by eliminating trade barriers, promoting fair competition, resolving disputes, and creating cooperation).

3. See James Stamps, *Free Trade Area for the Americas: Chile is the Linchpin*, MEX. TRADE & L. REP., Oct. 1995, at 7 (1995) (discussing how both NAFTA and the Southern Cone Common Market (MERCOSUR) were negotiating to add Chile to their trading groups); see also Howard LaFranchi, *Latin America Awaits a Call by Clinton: NAFTA Membership for Chile May be Back in the Offing After US Election-Season Hiatus*, CHRISTIAN SCI. MONITOR, Nov. 20, 1996, at 6 (noting that Chile's trade agreement with Canada and Mexico's desire to align Chile with NAFTA put pressure on the United States to commit to making Chile the fourth NAFTA member).

4. See Howard LaFranchi, *Latin America Sambas at Christopher's Visit: US Secretary in Five-Nation Tour Talks About Trade, Drugs*, CHRISTIAN SCI. MONITOR, Feb. 29, 1996, at 6 (discussing how the Clinton Administration failed to fulfill its commitment to make Chile the fourth NAFTA member by the end of 1995).

Many believed that an economically integrated hemisphere would occur through the NAFTA trade bloc vehicle.<sup>5</sup> However, now that the idea of expanding NAFTA has burned out, a more united Southern Hemisphere is emerging. Latin American nations are forming bilateral and multilateral trade agreements among themselves, in addition to forming trade ties with countries beyond Latin America. Some Latin American countries have united in trade blocs, comprised of larger groups of nations, which threaten to take over NAFTA's position as the leader of the crusade for hemispheric free trade. The Southern Cone Common Market (MERCOSUR)<sup>6</sup> exemplifies the potential rival NAFTA may face.

It is the U.S. leadership role in NAFTA that places NAFTA in such a strategic position with regard to future hemispheric economic integration.<sup>7</sup> Until recently, NAFTA was poised to be the vehicle to greater hemispheric free trade; however, because the United States has "dropped the ball" on its membership negotiations with Chile, NAFTA may have lost its leadership position.<sup>8</sup> In fact, Chile's path has inadvertently become an important indicator of the route that may be taken to accomplish a unified hemisphere.<sup>9</sup> When Chile, a country with one of the fastest growing world economies,<sup>10</sup> a

---

5. See Paul A. O'Hop, Jr., *Hemispheric Integration and the Elimination of Legal Obstacles Under a NAFTA-Based System*, 36 HARV. INT'L L.J. 127, 128 (1995) (noting that the economic dominance of NAFTA members and the desire of other Latin American nations to join NAFTA make it "the logical centerpiece" of an integrated Western Hemisphere).

6. See *id.* at 143. MERCOSUR is a Latin American trading bloc originally comprised of Argentina, Brazil, Paraguay and Uruguay. See *id.* The Treaty of Asunción, which gave birth to MERCOSUR, called for the establishment of a common market by December 31, 1994. See *id.*

7. See *id.* at 127-28.

8. See LaFranchi, *supra* note 4, at 6. The U.S. delay in getting Chile admitted as a NAFTA member is due to Congress' denial of fast track negotiating power for President Clinton. See *Economic Research Service: International Agriculture and Trade*, M2 Presswire, Sept. 26, 1996, available in 1996 WL 11275401 [hereinafter *Economic Research Service*].

The United States may soon find itself as the only major player in the Western Hemisphere that does not have preferential access to the Chilean market. Chile's bilateral agreements [with other nations] may be establishing precedents for integration that are not consistent with U.S. goals for trade liberalization in the hemisphere.

*Id.*

9. See Stamps, *supra* note 3, at 8.

10. See *Second Export Phase Turns Economy into Latin "Tiger,"* S. CHINA MORNING POST, Sept. 18, 1996, available in 1996 WL 3768329 [hereinafter *Second Export Phase*] (reporting that Chile's rapid trade success is due to the belief of foreign investors in the region that Chile is the most stable Latin American country).

population of 13 million, a gross domestic product (GDP) of US\$97 billion,<sup>11</sup> and a 1995 GDP growth of 8.4%,<sup>12</sup> felt NAFTA's scorn, it realized that it could take its business elsewhere: instead of waiting to join NAFTA, it has joined MERCOSUR as an associate member.<sup>13</sup> This new union strengthens an already growing MERCOSUR by enlarging affected consumers to 220 million, which is almost half of the Latin American population. It also increases the combined GDP to US\$1 trillion, almost 65% of the combined Latin American gross national product (GNP).<sup>14</sup> Chile's membership "makes it [MERCOSUR] a potentially powerful counterpoint to NAFTA,"<sup>15</sup> and it could give MERCOSUR the additional momentum it needs to assume the role NAFTA seems to have abandoned in moving towards a more unified Western Hemisphere.<sup>16</sup>

Of course, taking over NAFTA's role does not mean that hemispheric free trade must occur through a trade bloc such as MERCOSUR. It is possible that achieving the dream of hemispheric integration will take much longer to realize than initially planned. The rapid hitching of all the Latin American nations to either NAFTA or MERCOSUR is not necessarily the best means for achieving a more united economic hemisphere. Instead, freer trade and hemispheric integration might occur as it has occurred for years: at a slower pace, through bilateral and multilateral trade agreements between nations, and through the linking of regional and sub-regional

---

11. See Stamps, *supra* note 3, at 8 (noting that although Chile's accession to NAFTA would have little overall economic impact, it would demonstrate a firm U.S. commitment to regional integration).

12. See Tim Metcalfe, *HK's Trading Gateway*, S. CHINA MORNING POST, Sept. 18, 1996, available in 1996 WL 3768324 (stating that Chile's rapid economic growth within the past decade began with the implementation of economic reforms after the fall of a 17 year military government).

13. See *Chile Joins Southern Cone Common Market as Andean Nations Agree to Multilateral Free-Trade Negotiations with MERCOSUR*, NOTISUR-LATIN AM. POL. AFFAIRS, Oct. 4, 1996, available in 1996 WL 8089443 [hereinafter *Chile Joins MERCOSUR*] (discussing how accession to MERCOSUR was met with opposition by Chilean legislators representing agricultural interests).

14. See Fabio Lacerda Soares Petrarolha, *Rivals to March Side by Side (Brazil and Argentina Sign Military Agreement)*, BULL. ATOM. SCIENTISTS, Sept. 19, 1996, at 14. The formation of MERCOSUR has not only linked the member nations economically, but has also "opened channels for cultural, political, and military dialogue." *Id.*

15. *Id.*

16. See *Chile Joins MERCOSUR*, *supra* note 13. The recent MERCOSUR-Andean Pact merger negotiations foreshadow "a future free-trade area that will span the entire Southern Hemisphere by the year 2005." *Id.*

trade organizations.<sup>17</sup> Once regional trade organizations grow and strengthen by deepening and widening their influence, these groups may then choose to negotiate for hemispheric free trade as larger, more powerful constituents.

Over the years, Latin American nations have used both trade agreements and the linking of subregional trade organizations to achieve freer trade,<sup>18</sup> with a fair number of failures.<sup>19</sup> However, Latin America has recently experienced a renewed passion for economic integration among regional and subregional trade organizations and among individual countries as well.<sup>20</sup>

Chile is an example of the rekindled ambition for free trade. This ambition is illustrated in its renewed attempt to align itself with other trading nations and regional organizations to work toward its goal of free trade and the creation of economic opportunities for nationals and foreigners alike. In turn, this self-initiated movement of countries towards freer trade naturally leads to the creation and expansion of regional trading blocks such as MERCOSUR. With the influence Chile has given MERCOSUR by joining the trading block, the Andean nation has become a key player in the future of free trade for the Western Hemisphere. Chile is a model illustration of how Latin American integration is occurring, with or without the participation of the United States or NAFTA.<sup>21</sup>

## II. HEMISPHERIC INTEGRATION: THE FREE TRADE AREA OF THE AMERICAS (FTAA)

### A. *Origins of the Concept*

Integration is not a new goal for the Latin American nations. Simon Bolivar, the “leader of independence in

---

17. See generally O’Hop, *supra* note 5, at 130–46 (describing past and present attempts at regional and sub-regional integration in Latin America).

18. See Louis F. Del Duca, *Teachings of the European Community Experience for Developing Regional Organizations*, 11 DICK. J. INT’L L. 485, 524–27 (1993) (describing the efforts of many Latin American nations to create several trade blocs).

19. See *id.* at 525, 527.

20. See *id.* at 524 (comparing the Latin American commitment to regional integration to the integration experience of the European Union nations).

21. See *Economic Research Service, supra* note 8.

northern South America,” first dreamed of a unified Spanish America in 1815:<sup>22</sup>

“Independence was a simple question of winning the war,” [Bolivar] said to them. “The great sacrifices must come afterwards, to make a single nation out of all these countries.”

“We’ve made nothing but sacrifices, General,” they said.

He would not give an inch:

“More are needed,” he said. “Unity has no price.”<sup>23</sup>

Though the idea of one politically, culturally, and economically integrated continent is perhaps too ambitious a project, and is not necessarily sought after as it once was, one remnant from the nineteenth century has remained: economic integration continues to be a shared goal among many Latin American countries.<sup>24</sup>

The United States has expressed a sincere interest in hemispheric integration only more recently. The beginning of U.S. interest first became evident during the Bush Administration’s Enterprise for the America’s Initiative (EAI) in 1990, which called for the creation of a free trade zone stretching from “the port of Anchorage to Tierra del Fuego.”<sup>25</sup>

President Clinton renewed this pledge in December 1994 at the Summit of the Americas, attended by representatives of thirty-three Western Hemisphere democracies.<sup>26</sup> There the Clinton Administration called for the creation of the FTAA by the year 2005.<sup>27</sup>

### B. *The Denver Declaration*

The Denver Declaration, resulting from the Summit of the Americas and signed June 30, 1995, began negotiations for developing the FTAA. It envisioned a hemisphere where

22. O’Hop, *supra* note 5, at 130. Four international congresses were held between 1826 and 1865; however, Bolivar’s attempt to unify Spanish America failed. *See id.*

23. GABRIEL GARCÍA MÁRQUEZ, *THE GENERAL IN HIS LABYRINTH* 98–99 (Edith Grossman trans., Alfred A. Knopf, Inc. 1990) (1989).

24. *See* Del Duca, *supra* note 18, at 524–31 (discussing the successful and failed attempts in regional and subregional economic integration).

25. O’Hop, *supra* note 5, at 127. President Clinton’s effort to create a Free Trade Area of the Americas is a continuation of President Bush’s 1990 pledge to integrate the Western Hemisphere. *See id.*

26. *See id.*

27. *See id.*

tariff and nontariff trade barriers would no longer exist.<sup>28</sup> However, the Denver Declaration did not expressly deal with the issue of the effects it would have on existing regional and subregional economic organizations and trade agreements.<sup>29</sup> Then U.S. Commerce Secretary Ron Brown illustrated the United States' good intentions, however vague, when he described the Denver Declaration as a plan "to weave NAFTA, MERCOSUR, the Andean Pact,<sup>30</sup> and the hemisphere's many multilateral and unilateral market-opening initiatives into a seamless tapestry of trade."<sup>31</sup> This is a noble pursuit, but Secretary Brown failed to specify exactly how this "seamless tapestry" would be woven. Because of the multitude of regional and subregional organizations, and the many bilateral and trilateral trade agreements that exist, different views will be expressed regarding the roles these organizations and agreements should play in the FTAA, including whether they should continue to exist at all.<sup>32</sup>

Any attempt at economic integration will surely affect each of these existing regional groups, but it seems clear that the roles of NAFTA and MERCOSUR will not be ignored in the process. These two organizations are prominent in the current state of attempted economic integration, and some contend that one of these two groups will be the main vehicle through which the FTAA, and consequently a unified

---

28. See Riordan Roett, *Trends of the Trade: Free Trade Agreements Signal Economic Integration for Latin America*, LATINFINANCE, Sept. 1995, at TF32.

29. See *id.* U.S. Trade Representative Mickey Kantor said: "The Denver ministerial summit is the defining point in the economic integration of the hemisphere," but avoided comment on the relationship between the FTAA and entities such as NAFTA and MERCOSUR. *Id.* However, the plan for the creation of the FTAA is intended to "build upon the achievements of the five existing hemispheric regional free-trade arrangements—the Andean Pact, the Caribbean Common Market (CARICOM), the Central American Common Market (CACM), the Southern Cone Common Market (MERCOSUR) and the North American Free Trade Agreement (NAFTA)—as well as the existing network of bilateral arrangements." Stephen Lande & Nellis Crigler, *Consensus in the Americas: Free Trade by 2005*, BUS. MEX., Special Edition 1995, at 70.

30. The Andean Pact was initially signed on May 26, 1969 by the Latin American nations of Bolivia, Chile, Colombia, Ecuador, and Peru. See O'Hop, *supra* note 5, at 140–41 & n.87. Venezuela was delayed by domestic opposition to ending protection for some of its industries, but entered the pact in 1973. See *id.* The Andean Pact called for the gradual elimination of tariffs and the adoption of a common external tariff to facilitate the creation of a common market between the nations. See *id.* at 140–41.

31. Roett, *supra* note 28, at TF32.

32. See *id.* The Latin American countries were less enthusiastic than the United States about incorporating the existing entities into the FTAA. See *id.*

hemisphere, will be achieved.<sup>33</sup> NAFTA and MERCOSUR are seen as the leaders in their respective geographic areas: NAFTA representing the North, led primarily by the United States, and MERCOSUR representing the South, led primarily by Brazil.<sup>34</sup> Chile's membership in either NAFTA or MERCOSUR could move one of these two trading blocs into position to become the dominant FTAA economic integration vehicle.

### 1. *The "Building Block" Approach*

It is not surprising that the United States sees "NAFTA as a logical launching point for the FTAA."<sup>35</sup> The NAFTA-driven integration scheme is a four-step building block approach allowing self-paced integration for each participating Latin American country.<sup>36</sup>

The United States has set the first building block by entering "into framework agreements to coordinate basic macroeconomic principles."<sup>37</sup> The second building block requires participating countries and trade groups to develop harmonization plans for specific sectors of their economies.<sup>38</sup> This could involve harmonizing product and other trade related standards, as well as labor and environmental

---

33. See Stamps, *supra* note 3, at 7 (assessing efforts to expand NAFTA and MERCOSUR as each group "vies to become a hemispheric hub for the FTAA"); see also Humberto Marquez, *Trade-Americas: More Talks Set on Hemispheric Free Trade Deal*, Inter Press Serv., Aug. 23, 1996, available in 1996 WL 11625000 (suggesting that under the FTAA umbrella there should be a "progressive convergence" of existing agreements or a broadening of NAFTA).

34. See *Perils of a Latin American Trading Bloc*, GREENSBORO NEWS & REC., Nov. 8, 1996, at A17. Brazil is MERCOSUR's "linchpin," not only because it has the world's ninth largest economy and trades globally, but also because it supports adding new members to MERCOSUR, such as Chile, to create an open, multilateral world trading regime. See *id.*

35. Roett, *supra* note 28, at TF32. This view represents a significant difference of opinion from the South American countries that see MERCOSUR as the "logical point of reference." *Id.*; see also Jason R. Wolff, *Putting the Cart Before the Horse: Assessing Opportunities for Regional Integration in Latin America and the Caribbean*, 20 FLETCHER J. WORLD AFF. 103, 116 (1996). The author notes that "NAFTA stands out as the most comprehensive free trade agreement in the hemisphere . . . . NAFTA exerts a strong influence on the process of formal regional integration." *Id.*

36. See O'Hop, *supra* note 5, at 152.

37. *Id.* Most of these agreements with Latin American states are bilateral, but the United States also signed framework agreements with several multilateral organizations, including MERCOSUR. See *id.* at 150.

38. See *id.* at 152. Economic harmonization is expected to build cohesiveness between states to increase the likelihood of a hemispheric free trade zone. See *id.*

standards.<sup>39</sup> Under the third building block, participating countries would be considered NAFTA accession candidates if they meet criteria set by the governments of the existing NAFTA countries.<sup>40</sup> The fourth and final building block would be for an interested country to formally join NAFTA under one of two possible approaches yet to be established by the existing NAFTA countries.<sup>41</sup> The first approach being considered is for each country to negotiate, independently and individually, NAFTA membership.<sup>42</sup> The other approach would require subregional trade groups, such as MERCOSUR, to negotiate as a bloc for NAFTA membership.<sup>43</sup>

This building block plan, developed under the Clinton Administration,<sup>44</sup> has its flaws. First, the plan lacks clear guidelines as to how participating countries should go about completing this process. Although the building block approach has appeal as a general plan, the three NAFTA members have established vague criteria<sup>45</sup> for individual countries, or trade blocs, to gain NAFTA membership.<sup>46</sup> A second flaw is that the plan does not seriously consider the level of integration already achieved between countries in the form of bilateral and trilateral agreements and trade blocs.<sup>47</sup> After all, these subregional trade organizations were developed to address the specific economic objectives and needs of each subregional group.<sup>48</sup> The Chilean Minister of Finance, Eduardo Aninat, opined that it would be harmful to try to “wipe off” the accomplishments already achieved.<sup>49</sup>

---

39. *See id.* Investment and intellectual property regulations might also be included. *See id.*

40. *See id.* Countries would be evaluated on both economic and noneconomic criteria. *See id.*

41. *See id.* at 153.

42. *See id.* Independent negotiation for NAFTA membership would be a logical approach for a country like Chile, as it is not yet part of a subregional integration group. *See id.*

43. *See id.* The United States sees negotiation by trade blocs as a more efficient way to advance regional free trade. *See id.*

44. *See id.* at 152. The four step plan is actually a combination of several alternative approaches discussed by the Clinton Administration. *See id.*

45. *See* Roberto Rodriguez & Patrisia Gonzalez, *Chile's Democracy in Question as it Contemplates Joining NAFTA*, FRESNO BEE, Dec. 9, 1996, at B5. Some of the limited, vague criteria for joining NAFTA include “a democratic form of government” and “a healthy economy.” *Id.* In this context, the United States considers the country democratic if it has held free elections. *See id.*

46. *See* O'Hop, *supra* note 5, at 152.

47. *See supra* notes 29, 31–32 and accompanying text.

48. *See* O'Hop, *supra* note 5, at 154. These organizations have also created laws and fairly well developed institutions to accomplish their goals. *See id.*

49. *See* Roett, *supra* note 28, at TF32.

Similarly, Brazilian Minister of External Affairs, Luiz Felipe Lampreia, said, "It is a waste of time and energy to put aside what has already been accomplished."<sup>50</sup>

Thus, Latin American nations may find it risky to abandon the progress made in favor of a new system under NAFTA. They may prefer dealing with trade issues in terms of blocs on a local perspective to approaching them from a universal, hemispheric perspective. This is especially true considering how much Latin America has already accomplished in ironing out trade and economic integration issues.

Despite the fears of dismantling what has already been accomplished in some regions, developing the FTAA through the eventual union of the existing trade blocs (the Andean Pact, the Caribbean Common Market (CARICOM),<sup>51</sup> the Central American Common Market (CACM),<sup>52</sup> MERCOSUR and NAFTA, in addition to the existing bilateral agreements among countries), was initially accepted somewhat favorably. Perhaps a significant reason that zeal for this visualization has now ebbed<sup>53</sup> is the United States' weak role in accomplishing the goal of hemispheric free trade.<sup>54</sup> The United States' position with regard to Chile's potential accession to NAFTA illustrates this decreasing push for hemispheric integration.

## 2. *Chile's Potential Accession to NAFTA*

NAFTA member countries agreed at the Summit of the Americas in December 1994 to negotiate Chile's accession to

---

50. *Id.*

51. See Del Duca, *supra* note 18, at 530. The 1973 Treaty of Chaguaramas created the Caribbean Community. See *id.* Its members are Antigua, Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Grenadines, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, and Trinidad-Tobago. See *id.* The Caribbean Community's goals are the reduction of tariffs and the integration of domestic policy, though progress has often been limited due to political, economic, and technological problems. See *id.*

52. See *id.* at 527. The 1961 General Treaty of Central American Economic Integration created the CACM. Its members are Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua. See *id.* The CACM's goal is the promotion of intraregional free trade and the establishment of uniform external tariffs. See *id.* Though political controversy almost destroyed the pact, the group has been recently re-inspired, and agreed to form a free trade zone with Mexico by 1996. See *id.*

53. See Michael J. Zamba, *With US Hare Flagging in Trade Race, Latin American Tortoise is Catching Up: MERCOSUR Trade Group Aims to Balance NAFTA, European Union*, CHRISTIAN SCI. MONITOR, Sept. 16, 1996, at 19.

54. See *id.*

NAFTA,<sup>55</sup> with a target date for completing negotiations by March 1995.<sup>56</sup> Chile's "strong democratic tradition" that led to its burgeoning economic growth<sup>57</sup> has proved that the country is a model among Latin American nations.<sup>58</sup> These characteristics have made the country attractive as a potential trade partner and a logical target for the southward expansion of NAFTA.<sup>59</sup> The negotiations for Chile's entry into NAFTA were viewed as the first step toward the FTAA.<sup>60</sup> The significance of these negotiations was profound, and symbolized "a commitment particularly on the part of the United States to closer economic cooperation with the rest of Latin America."<sup>61</sup>

There are numerous practical reasons why joining NAFTA would benefit Chile, the United States, and the other NAFTA members. For Chile, accession to NAFTA would bring countless trade and investment opportunities<sup>62</sup> because NAFTA allows easy access to one of the largest markets in the world, in terms of population and GDP.<sup>63</sup> Access to the NAFTA market would dramatically increase Chilean exports, domestic salaries, and employment, as well as increase foreign investment in the Chilean economy.<sup>64</sup> Perhaps the greatest benefit of Chile's accession to NAFTA would be the "institutional insurance" it could use to secure its position as a regional market model.<sup>65</sup> NAFTA membership would reduce potential investor risk perceptions associated with

---

55. See *Economic Research Service*, *supra* note 8.

56. See David Gilmore, *Expanding NAFTA to Include All of the Western Hemisphere: Making Chile the Next Member*, 3 DET. C.L. J. INT'L L. & PRAC. 413, 413 (1994). Members of the Chilean government set March 1995 as the final date. See *id.*

57. See *id.*

58. See Ricardo Matte Equiguren, *NAFTA: Chile Should Join NAFTA*, MEX. TRADE & L. REP., Aug. 1995, at 9, 10; see also *Economic Research Service*, *supra* note 8; Gilmore, *supra* note 56, at 419.

59. See Gilmore, *supra* note 56, at 413. Chile had enjoyed the longest uninterrupted democratic tradition in Latin America until General Augusto Pinochet overthrew the Marxist government of Salvador Allende in 1973. See *id.* at 413-14. Patricio Aglwin returned civilian democratic control in 1990. See *id.* at 414.

60. See Stamps, *supra* note 3, at 8.

61. *Id.*

62. See Gilmore, *supra* note 56, at 418-20.

63. See *id.* at 418 (noting that the population of NAFTA participants is 360 million and the combined GDP is 30% of the world total).

64. See *id.*

65. Equiguren, *supra* note 58, at 10.

investment in a foreign country by preventing future intervention, such as tax increases and exchange controls.<sup>66</sup>

From NAFTA's perspective, Chile's membership would bring a number of benefits to the trade association. The United States stands to benefit economically through increased exports to Chile, especially of high technology products such as computers.<sup>67</sup> Chile's membership, while creating a more hospitable trade atmosphere, would also create additional U.S. jobs in the high technology sector.<sup>68</sup> In addition, due to the strong presence of unions in Chile, and the fact that Chilean workers are treated well, there is no real threat of U.S. workers losing jobs to Chilean workers.<sup>69</sup>

Despite these benefits to the United States and other NAFTA countries, the real economic impact of Chile's addition to the group is not that significant. Chile has a population of 13 million people, while NAFTA's market encompasses over 360 million people.<sup>70</sup> Chile's GDP a few years ago was US\$97 billion, compared to NAFTA's combined US\$8 trillion.<sup>71</sup> Consequently, the real benefit is the "political message that Chile's admittance to NAFTA sends to the rest of Latin America."<sup>72</sup> Many Latin American countries see Chile as an economic model to which they can aspire.<sup>73</sup> If Chile were admitted to NAFTA, an aura of regional economic stability and growth necessary for the improvement and expansion of the economies and markets of the rest of the Latin American nations could be created.<sup>74</sup> Chile's accession to NAFTA could reaffirm the leadership role of the United States and NAFTA in the implementation of the FTAA.<sup>75</sup> Admitting Chile would indicate that it might be "possible to create a hemispherical free-trade zone out of what is now only an agreement between three countries."<sup>76</sup>

---

66. *See id.*

67. *See* Gilmore, *supra* note 56, at 419. High technology products are the most frequently exported goods from the United States into Chile. *See id.* U.S. computer exports in 1993 were US\$320 million. *See id.*

68. *See id.* at 420.

69. *See id.* at 419.

70. *See* Stamps, *supra* note 3, at 8.

71. *See id.*

72. Gilmore, *supra* note 56, at 419.

73. *See id.*

74. *See id.*

75. *See* Equiguren, *supra* note 58, at 9.

76. Gilmore, *supra* note 56, at 419. A hemispheric free trade zone would have a significant impact on the U.S. economy. *See id.*

Latin American nations have been watching and waiting to see how the United States will handle this challenge.<sup>77</sup> Unfortunately, the results have not been promising. U.S. credibility is threatened by the failure of both Clinton Administrations to pass the NAFTA-Chile deal through the U.S. Congress without critical fast track negotiating authority.<sup>78</sup> Consequently, the original deadline for the NAFTA-Chile negotiations has passed without result. Fast track negotiating authority allows the U.S. government's Executive Branch to negotiate trade agreements with a foreign government as long as it is within the bounds of what the U.S. Congress specifies as acceptable.<sup>79</sup> Congress' role is limited to a yes-no vote on the trade agreement, without the traditional ability to amend the agreement. This allows the Executive Branch to negotiate firm commitments, giving the foreign country assurance that Congress will not alter the agreement.<sup>80</sup> Although fast track authority is not legally required for the United States to complete international negotiations, it is considered valuable for the reason described above, and Chile has made fast-track authority a condition of negotiations with the United States.<sup>81</sup>

One source of difficulty the first Clinton Administration encountered in securing fast track authority from the U.S. Congress was that the Administration wanted to include labor and environmental side agreements in the overall negotiations with Chile,<sup>82</sup> while the U.S. Congress wanted to "limit the negotiations to the more traditional aspects of trade and investment."<sup>83</sup> The U.S. Congress has been concerned that agreements on labor and environmental issues "could impede trade and lead to tougher regulations on U.S. businesses abroad."<sup>84</sup> In any case, the disagreement between the two governmental branches stalled Chile's accession to NAFTA, exhibiting to Latin American spectators a lack of unity on the trade liberalization agenda.<sup>85</sup>

The failure to secure fast track negotiating authority and proceed on schedule with the Chile-NAFTA talks sends a

---

77. See Equiguren, *supra* note 58, at 9.

78. See *id.* at 9-10; see also *Economic Research Service, supra* note 8.

79. See *Economic Research Service, supra* note 8.

80. See *id.*; see also Stamps, *supra* note 3, at 8.

81. See Stamps, *supra* note 3, at 9; see also *Canada, Chile Sign Free Trade Agreement*, Associated Press, Nov. 18, 1996, available in 1996 WL 4449707.

82. See Stamps, *supra* note 3, at 9.

83. *Economic Research Service, supra* note 8.

84. Stamps, *supra* note 3, at 9.

85. See *id.* at 8-9; see also *Economic Research Service, supra* note 8.

negative message to Latin America about the United States' position on free trade. Chile's quick accession to the NAFTA would symbolize U.S. commitment to the construction of the FTAA.<sup>86</sup> By creating the perception of a stable U.S. trade policy with Latin America, the early entry of Chile into NAFTA would have provided an incentive for other Latin American countries to forge ahead in their own economic and democratic political reforms,<sup>87</sup> relying on the security of the NAFTA framework as a roadmap to freer markets.<sup>88</sup>

Now, the region's nations are asking the question, "Is the United States really interested in Latin America?"<sup>89</sup> They must wonder whether complete U.S. abandonment of the issues of Chile's potential NAFTA membership and hemispheric free trade during the 1996 elections was the exception or the rule to its position on an FTAA.<sup>90</sup> However, there are many claiming that with the elections over, Chile's entry into NAFTA and an FTAA will again become top priorities.<sup>91</sup> Senior Clinton advisor Thomas McLarty, after a November 1996 trip to Brazil, Argentina, and Uruguay, said, "I have visited with President Clinton, and I can assure you that he is dedicated to moving ahead with a full range of hemispheric issues."<sup>92</sup> Also trying to assure Latin America that Clinton has returned to his free trade agenda, Assistant Secretary of State for Inter-American Affairs, Jeffrey Davidow, said that the President will push hard to get fast track authority approved by Congress.<sup>93</sup> Associate U.S. Trade

---

86. See Equiguren, *supra* note 58 at 12; see also Stamps, *supra* note 3, at 8.

87. See Equiguren, *supra* note 58, at 12.

88. See *id.* at 9.

89. LaFranchi, *supra* note 3.

90. See *id.*

91. See Jim Lobe, *U.S.-Latin America: Trade Gets Priority Attention*, Inter Press Serv., Nov. 12, 1996, available in 1996 WL 13589084. This includes not only negotiating fast track authority, but also "movement towards a hemisphere-wide FTAA." *Id.* President Clinton has indicated that Chile's entry into NAFTA is a top priority for his administration, and he is seeking congressional approval for its inclusion into the trade pact. See Rodriguez, *supra* note 45.

92. *Latin Americans Say U.S. Ignores Region; Area Among Clinton's Priorities, Aide Says*, DALLAS MORNING NEWS, Nov. 23, 1996, at A25; see also Sebastian Rotella, *Clinton's Latin Lesson; Addressing Abandonment Felt by Neighbors to South, President to Focus on 'Hemispheric Issues' in 2d Term*, L.A. TIMES, Nov. 22, 1996, at A5.

93. See Lobe, *supra* note 91 (showing that Clinton's prior commitment to free trade as a high priority was evidenced by his success in pushing NAFTA and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) through Congress).

Representative Peter Allegeier explained that the U.S. approach to economic integration is two-tracked: the first track is the expansion of NAFTA, and the second track is “pursuing pan-American talks on trade liberalization and harmonization of regulatory policy.”<sup>94</sup> McLarty attempted to outline more specifically the new administration’s Latin American trade policy goals on his visit to South America.<sup>95</sup> He stressed the importance of discussing the FTAA and its 2005 deadline at the Summit of the Americas in Belo Horizonte, Brazil and in Santiago, Chile in March 1998.<sup>96</sup> McLarty also pointed to Chile’s accession to NAFTA as the “next logical step”<sup>97</sup> to establishing the FTAA, which, he claimed, will be achieved through fast track negotiating authority.<sup>98</sup> However, to date, these goals have not been achieved. Consequently, the second Clinton Administration’s inability to push fast track authorization through Congress has surely led to the further weakening of the U.S. role in shaping hemispheric free trade and the FTAA.<sup>99</sup>

Despite the failure to meet the first negotiation timetable, many have not abandoned Chile’s proposed NAFTA membership.<sup>100</sup> At a minimum, a renewal of negotiations

---

94. Gerard Aziakou, *US Committed to Two-Track Approach for Americas’ Economic Integration*, Agence France-Presse, Nov. 16, 1996, available in 1996 WL 12181840.

95. See *US Information Agency Foreign Press Center Briefing With Thomas “Mack” McLarty, Counselor to the President*, Fed. News Serv., Dec. 4, 1996, available in LEXIS, Legis Library, Fednew File (stating that the second Clinton Administration’s Latin American trade policy goals were to make official visits to the Latin American countries, to particularly concentrate on strengthening the U.S.-Mexico relationship, to establish the FTAA by the year 2005, and to make Chile a party to NAFTA).

96. See *id.* McLarty believes that the Belo Horizonte meeting will be an important step towards establishing a free trade area. He feels that the countries involved are ready to make concrete steps toward actual negotiations and deliberations to establish a free trade area by the year 2005. See *id.*

97. *Id.*

98. See *id.*

99. See Lobe, *supra* note 91. President Clinton’s inability to persuade Congress to approve NAFTA parity for the Caribbean Basin Initiative (CBI) and to authorize fast track negotiating authority to expand NAFTA has led Latin America to increase economic integration through its own trade initiatives. See *id.*

100. See William Flannery, *Invest (Carefully) in Latin America*, ST. LOUIS POST-DISPATCH, Apr. 29, 1996, at O4. A former ambassador to Panama noted that “[d]espite the recent criticism of the North American Free Trade Agreement, Chile remains the prime candidate for the next member of NAFTA.” *Id.*; see also Jim Landers, *Chile Sees Education Key to Economic Success: Reforming Public Schools a National Issue*, DALLAS MORNING NEWS, June 10, 1996, at 1D. “Chile is waiting for the outcome of the U.S. presidential election for its chance to join the North American Free Trade Agreement . . . .” *Id.* While discussing the

occurred after the conclusion of the 1996 U.S. presidential election. But this does not mean that U.S.-Latin American trade relations will not remain stagnant.

First, President Clinton has faced public opposition to free trade agreements.<sup>101</sup> A poll conducted just prior to the November 1996 presidential election indicated that fifty-seven percent of the U.S. public opposed new free trade pacts with Latin America, and fifty-one percent believed trade agreements like NAFTA meant fewer U.S. jobs.<sup>102</sup> The ability of the current Clinton administration to communicate the positive implications of free trade and stir up pro free trade sentiment may allow the United States to recover its leadership role in Latin America.<sup>103</sup>

Second, part of the problem with securing fast track negotiating authority from Congress involves the inclusion of labor and environmental side agreements in trade agreements. Generally, the Republicans have opposed environmental and labor side accords, while the Democrats have refused to grant fast track authority without inclusion of these side agreements in new trade agreements.<sup>104</sup> Wisconsin Governor Tommy Thompson suggested another reason for the congressional delay in granting President Clinton fast track authority. Although Governor Thompson predicted the eventual granting of fast track negotiating authority, he explained that Congress had a "feeling of caution not to move fast" on the North American Free Trade Accord.<sup>105</sup> He further suggested that Congress' unenthusiastic attitude towards free trade could also be due to the U.S. economies current strength.<sup>106</sup> This may further

---

Clinton Administration's desire to include Chile in NAFTA, former President Bush expressed his desire to include Chile and other Latin American Nations such as Brazil and Argentina in free trade agreements. *See Bush/Chile -2: Clinton Seen Not Moving on NAFTA Expansion*, Dow Jones Int'l News, Nov. 22, 1996, available in WESTLAW, Wiresplus Database.

101. *See* Lobe, *supra* note 91. Prior to the 1996 U.S. presidential election, Clinton faced popular backlash to NAFTA and GATT initiatives. *See id.* Polls showed that these trade agreements evoked anxiety among the American population resulting from corporate downsizing and other effects from economic and technological globalization. *See id.*

102. *See id.* Ira Jackson, an executive vice president of the Bank of Boston, said, "The poll results should be a wake-up call to the U.S. business community to engage in a broad reeducation campaign." *Id.*; *see also* LaFranchi, *supra* note 3.

103. *See* LaFranchi, *supra* note 3.

104. *See* Lobe, *supra* note 91.

105. *Wisconsin Governor Supports Chile's Entry Into NAFTA*, Assoc. Press, Dec. 4, 1996, available in 1996 WL 5426005 [hereinafter *Wisconsin Governor*].

106. *See id.*

explain why both sides Republicans and Democrats have factions that oppose free trade agreements.<sup>107</sup>

Even if the United States is eventually able to achieve unity from the public and Congress on free trade, the United States should not think it can just pick up where it left off. Latin America has not maintained its positive stance towards the leadership position held by the United States through NAFTA.<sup>108</sup> Latin American countries have closely followed Chile's potential entry into NAFTA waiting to see if the United States would live up to its promises.<sup>109</sup> Moreover, Chilean President Frei has stated that Chile is no longer as interested in a quick entry into NAFTA as before.<sup>110</sup> The United States' failure to reach the March 1996 deadline may have retarded economic and political reform in Latin American countries that are not as enthusiastic about free trade.<sup>111</sup> But the most probable consequence of the United States' inattentiveness towards Latin American trade seems to be that the region is in fact continuing its march towards free trade and hemispheric economic integration, but without U.S. leadership.<sup>112</sup> Instead of waiting for the United States, Latin American nations, especially Chile, have pursued free trade

---

107. See LaFranchi, *supra* note 3.

108. See Michael Langan, Clinton, Dole at Odds on US Priorities in Latin America, Agence France-Presse, Oct. 18, 1996, available in LEXIS, News Library, Curnws File (suggesting that the United States has missed several opportunities in the past to lead Latin American trade and that meanwhile, both the European Union and Japan have taken an active interest Latin American trade).

109. See Gilmore, *supra* note 56, at 420. Other countries, such as El Salvador, Costa Rica, and Columbia, are monitoring Chile's economic model in hopes of attaining economic prosperity. See *id.* at 419. Chile's admittance to NAFTA, expedited by the United States, would demonstrate that it is possible for other Latin American countries to band together and "create a hemispherical free-trade zone." *Id.*

110. See Wisconsin Governor, *supra* note 105. Chile is has entered a five-year bilateral free trade accord with Mexico, as well as a bilateral agreement with Canada. See *id.*

111. See Equiguren, *supra* note 58, at 9, 10.

112. See Economic Research Service, *supra* note 8 (citing Chile's bilateral agreement, the June 25, 1996 Economic Complementary Agreement making Chile an associate member of MERCOSUR); see also World Agricultural Outlook Board: International Agriculture and Trade, M2 Presswire, Sept. 19, 1996, available in 1996 WL 11274331 (noting that the lack of fast track negotiating authority by the United States prevented expansion of NAFTA to include Chile and since that time Chile has independently and actively pursued bilateral agreements with other countries); Zamba, *supra* note 53, at 19 (noting that the United States has not taken the lead in Latin American trade issues as shown by the Congress' failure to authorize fast track negotiating authority and the choice of Brazil, rather than the U.S. backed choice of Costa Rica as the host of a round of the Pan American free-trade talks).

within region and the rest of the world; it has done so without the help of NAFTA or the United States.<sup>113</sup> A prime example of this is Chile's recent membership in MERCOSUR.<sup>114</sup>

C. *An Alternate Route to a FTAA: MERCOSUR*

The Treaty of Asunción,<sup>115</sup> signed on March 26, 1991 by Argentina, Brazil, Paraguay, and Uruguay created MERCOSUR.<sup>116</sup> This subregional group was founded on a free market philosophy with the goal of establishing a common market between member countries.<sup>117</sup> MERCOSUR is the fourth largest trading bloc in the world, with a population of 210 million people.<sup>118</sup> It is predicted that by the year 2000, the population will grow to 240 million.<sup>119</sup> MERCOSUR's plan is: 1) to eliminate tariff and nontariff barriers, 2) to coordinate macroeconomic policies, 3) to adopt a common external tariff, and 4) to adopt sectoral agreements.<sup>120</sup>

Since its creation, MERCOSUR has been an extremely successful endeavor, perhaps because of its "light and flexible institutional framework."<sup>121</sup> Currently, about ninety-five percent of the bloc's trade is now duty free, and the remaining barriers are set to be abolished no later than December 31, 1999.<sup>122</sup> Internal MERCOSUR trade has more than tripled since 1990,<sup>123</sup> growing in five years from US\$4

113. See LaFranchi, *supra* note 3.

114. See Mario Osava, *MERCOSUR: Integration Deepens, But Andean Expansion Stalls*, Inter Press Serv., Dec. 12, 1996, available in 1996 WL 14476854.

115. Treaty Establishing a Common Market Between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Republic of Uruguay, Mar. 26, 1991, 30 I.L.M. 1041 [hereinafter Treaty of Asunción].

116. See Del Duca, *supra* note 18, at 531. This makes MERCOSUR the newest subregional association in Latin America. See *id.*

117. See O'Hop, *supra* note 5, at 143.

118. See *Chile Joins South American Common Market*, Agence France-Presse, Oct. 2, 1996, available in 1996 WL 12150134.

119. See Bob Christman, *Latin Trade's Future Bright*, ARIZ. DAILY STAR, Oct. 21, 1996, at 4D. The economy is also expected to grow by approximately US\$1 trillion. See *id.*

120. See O'Hop, *supra* note 5, at 143.

121. Wolff, *supra* note 35, at 117.

122. See Michael S. Serrill, *Keep It in the Neighborhood: Forget NAFTA—South America is Busy Building Its Own Powerful Trading Bloc, Called MERCOSUR*, TIME INT'L, Aug. 26, 1996, at 26.

123. See O'Hop, *supra* note 5, at 144. Trade within the bloc surpassed US\$9 billion in 1993. See *id.*

billion to US\$14.5 billion.<sup>124</sup> The organization's external world trade grew from US\$25 billion in 1991 to US\$55 billion in 1995.<sup>125</sup> It has been proposed that MERCOSUR's pace of development toward a common market exceeds that of NAFTA.<sup>126</sup> Former U.S. Secretary of State Henry Kissinger has said that, "MERCOSUR will develop faster than NAFTA in the next few years."<sup>127</sup>

### 1. *The Chile-MERCOSUR Link*

After approval by the Chilean Congress in June 1996, Chilean President Eduardo Frei signed an accord with MERCOSUR establishing Chile as an associate member of the trade bloc.<sup>128</sup> Many believe this union was something of a second choice for Chile, with its "first choice of bride. . . [being] the glamorous North American Free Trade Agreement."<sup>129</sup> This did not happen because of President Clinton's failure to secure fast track negotiating authority for Chile's entry into NAFTA.<sup>130</sup> October 1, 1996 was the date the actual membership took effect, and the bloc's area was expanded to stretch from "coast to coast,"<sup>131</sup> encompassing 210 million consumers,<sup>132</sup> with a projected GDP of US\$1 trillion.<sup>133</sup>

To begin Chile's membership in MERCOSUR, Chile's uniform tariff on roughly two-thirds of MERCOSUR's exports into the Andean country was initially lowered by 40%, from 11% to 6.6%. In return, MERCOSUR lowered its tariffs on Chilean imports.<sup>134</sup> The plan calls for a gradual elimination of tariffs on both sides, with the goal that 90% of tariffs applicable to 70% of trade be eliminated by the year 2004.<sup>135</sup>

---

124. See Christman, *supra* note 119.

125. See *South America's MERCOSUR to Sign Anti-Dumping Deal*, Agence France-Presse, Nov. 18, 1996, available in 1996 WL 12183578.

126. See O'Hop, *supra* note 5, at 144.

127. Roett, *supra* note 28, at TF32.

128. See *Chile Joins MERCOSUR*, *supra* note 13; see also Imogen Mark & David Pilling, *Jilted Chile Hitches up to MERCOSUR: Customs Union Gains the Region's Most Stable and Successful Economy*, FIN. TIMES, June 25, 1996, at 3.

129. Mark & Pilling, *supra* note 128, at 3.

130. See Osava, *supra* note 114.

131. *Chile Joins MERCOSUR*, *supra* note 13.

132. See *Chile Joins South American Common Market*, *supra* note 118.

133. See Christman, *supra* note 119.

134. See *Chile Joins South American Common Market*, *supra* note 118.

135. See *id.*; see also Gustavo Gonzalez, *Integration with Latin America's Most Dynamic Bloc*, Inter Press Serv., Sept. 30, 1996, available in 1996 WL 11625605.

In addition, approximately one-third of Chilean exports received duty free treatment on October 1, 1996.<sup>136</sup> Though MERCOSUR is an economic union whose “next step is to deepen cultural and social links,”<sup>137</sup> Chile’s membership is limited to the creation of a free subregional trade zone characterized by the elimination of tariffs.<sup>138</sup> Chile’s limited membership is largely due to its desire to maintain its single tariff structure.<sup>139</sup> Under its associate membership, Chile is still free to negotiate independent agreements, including union with NAFTA if it desires.<sup>140</sup>

The significance of the Chile-MERCOSUR relationship is great. It illustrates the momentum that MERCOSUR has achieved during its short existence. In addition to its new association with Chile, MERCOSUR is growing in other directions, making a clear move towards greater unity within Latin America.

## 2. *The Widening and Deepening of MERCOSUR: The Bolivian and Mexican Links*

Exemplified by its new association with Chile, MERCOSUR continues to open its doors to new members within the region. Bolivia’s joinder with MERCOSUR, like Chile’s in that it also remains outside the customs union, was formalized in Fortaleza, Brazil in December 1996.<sup>141</sup> Bolivia’s membership builds a new bridge between the countries.<sup>142</sup>

In addition, Mexico is negotiating with MERCOSUR and expects to reach an agreement soon.<sup>143</sup> Like Chile and Bolivia, Mexico would become an associate member because its membership in NAFTA would prevent its compliance with MERCOSUR’s external tariff.<sup>144</sup> Mexican President Ernesto

---

136. See Gonzalez, *supra* note 135.

137. Osava, *supra* note 114.

138. See *Chile-MERCOSUR Accord Speeds Up Integration*, Xinhua Eng. Newswire, Sept. 11, 1996, available in 1996 WL 11982316.

139. See Gonzalez, *supra* note 135.

140. See *MERCOSUR, At Last, Inks Contract with Chile*, LDC DEBT REP., July 1, 1996, at 1; see also *Chile Joins MERCOSUR*, LAGNIAPPE LETTER, July 5, 1996, available in 1996 WL 8394765.

141. See Osava, *supra* note 114.

142. See *id.*

143. See David Pilling & Daniel Dombey, *Mexico Enters Talks with MERCOSUR Group*, FIN. TIMES, Oct. 25, 1996, at 7; see also Diego Cevallos, *Mexico: Zedillo in the Tigers’ Mouth*, Inter Press Serv, Nov. 18, 1996, available in 1996 WL 13589236; *Mexico Seeks to Expand Trade with Asia*, Xinhua Eng. Newswire, Nov. 20, 1996, available in 1996 WL 13773060.

144. See Pilling & Dombey, *supra* note 143, at 7.

Zedillo is seeking such an agreement in light of its ever growing increase in trade with the area. The 1991 bilateral trade agreement, signed between Mexico and Chile resulted in a one-third increase in Mexican exports in the first three quarters of 1996, the equivalent of US\$710 million.<sup>145</sup> Mexico has four separate bilateral agreements with MERCOSUR countries, but President Zedillo recognizes that an agreement with MERCOSUR would be much more efficient: "If we do not have a [full] fledged agreement in the future, our exports will be at a disadvantage."<sup>146</sup>

The significance of the new and impending tie between MERCOSUR and Mexico is clear: it could be one more step in the journey towards the FTAA. In addition, President Ernesto Zedillo indicated that economic gain, though of primary importance, is not necessarily the only motive for the expansion of Latin American trade ties.<sup>147</sup> Hinting that a greater bond exists between these countries, he explained, "My Latin American conscience would not be at peace if I did not make a serious effort, as president of Mexico, to procure integration with MERCOSUR countries."<sup>148</sup>

### 3. *The Widening and Deepening of MERCOSUR: The Andean Pact Link*

The Andean Pact nations of Bolivia, Colombia, Ecuador, Peru, and Venezuela began to operate in 1997 as the Andean Community.<sup>149</sup> As a result of current, ongoing negotiations, the Andean Community will also eventually join MERCOSUR's free trade group, creating what some refer to as a "super-bloc,"<sup>150</sup> though it too will remain outside the customs union.<sup>151</sup> Although "the two subregions have already developed strong independent identities,"<sup>152</sup> the union will be another important link in the Latin American chain. Chile

---

145. See *Mexican Exports to Chile Rises Significantly*, Xinhua Eng. Newswire, Nov. 26, 1996, available in 1996 WL 13774418.

146. Pilling & Dombey, *supra* note 143, at 7.

147. See *Mexican President Reaffirms Wish to Join MERCOSUR*, Xinhua Eng. Newswire, Nov. 13, 1996, available in 1996 WL 13771441.

148. *Id.*

149. See Abraham Lama, *Latin America-Integration: Steady, Slow Moves Towards "Super Bloc"*, Inter Press Serv., Nov. 26, 1996, available in 1996 WL 14476505.

150. *Id.*

151. See Osava, *supra* note 114.

152. *Id.*

will also join this super-bloc, which will create a market of 300 million consumers.<sup>153</sup>

Perhaps even more significant than the number of people the trading bloc will affect is its powerful example of the change rippling through Latin America. In the past, trade between the Andean and MERCOSUR nations has been based on the mutual commercial preferences proscribed by the Latin American Integration Association (ALADI).<sup>154</sup> All tariff reductions resulted from accords negotiated one by one, product by product, between MERCOSUR and the Andean countries.<sup>155</sup> This method has been referred to as the “four plus one formula.”<sup>156</sup>

When the new super-bloc becomes a reality, negotiations will change to a “four plus four formula.”<sup>157</sup> Instead of bloc to individual country negotiations, it will be bloc to bloc negotiations.<sup>158</sup> Jaime Cordoba, Coordinator of the Junta of the Cartagena Accord (a MERCOSUR body), explained the significance of the super-bloc: “It will increase the region’s ability to attract multinational companies, and will multiply the possibilities for developing projects of complementary production.”<sup>159</sup>

However, the importance of the MERCOSUR-Andean Community goes beyond the obvious significance of the market integration of the nine affected economies. Cordoba emphasized, “It will not only be a joining together of markets nor a simple accord for commercial preferences but a large-scale regional project that will change the global status of South America.”<sup>160</sup> Cordoba believes a MERCOSUR-Andean Community will lead to the liberalization of free trade in South America, and will be “starting point for the [FTAA] projected for the year 2005.”<sup>161</sup>

---

153. See Lama, *supra* note 149.

154. See *id.*; see also Del Duca, *supra* note 18, at 526. ALADI was created in 1980 by the Treaty of Montevideo with the objective of providing an umbrella under which smaller regional organizations could work to achieve a common market. See *id.* One of its goals has been to encourage regional and subregional integration as a tool for building a common market. See *id.*

155. See Lama, *supra* note 149.

156. *Id.*

157. *Id.*

158. See *id.*

159. *Id.*

160. *Id.*

161. *Id.*

4. *The Widening and Deepening of MERCOSUR: The European Union Link*

Even bigger prospects loom ahead for MERCOSUR. South American trade with European Union countries is booming.<sup>162</sup> The European Union's trade deficit with South America, at a high point in 1990 of ECU 11.1 billion, decreased in 1995 to ECU 300 million.<sup>163</sup> In this same period, South American exports to the European Union have grown steadily at an annual rate of 2.4%.<sup>164</sup> European Union exports to South America have grown at a healthy rate of about nineteen percent annually.<sup>165</sup>

The trade partners primarily responsible for this growth are the MERCOSUR countries, particularly Brazil and Argentina.<sup>166</sup> These two countries were the European Union's largest trading partners in 1995, with Brazil representing a total of 44% and Argentina representing 15% of the European Union's total imports.<sup>167</sup> Reciprocally, 46% of the European Union's exports were sent to Brazil and 18% to Argentina.<sup>168</sup>

These figures forecast a promising future for the two regions. In fact, the European Union and MERCOSUR signed "a landmark cooperation agreement designed to pave the way for a trans-Atlantic free trade accord" in December 1995.<sup>169</sup> The European Union is interested in the increasing opportunities provided by the South American region, even if the United States is not. This move by the European Union is an indicator of its "intention not to lose out to the United States in the burgeoning Latin American market."<sup>170</sup>

III. A REMINDER: THE IMPORTANCE OF THE INDIVIDUAL  
LATIN AMERICAN NATION IN THE PUSH FOR FREE  
TRADE—CHILE'S EXAMPLE

MERCOSUR is the strongest example of the Latin American economies' willingness to integrate themselves. Its growth demonstrates its preeminence. However, economic

---

162. See *EU Trade Deficit with South America Disappears in 1995*, EUR. REP., Nov. 30, 1996, available in 1996 WL 11074450.

163. See *id.*

164. See *id.*

165. See *id.*

166. See *id.*

167. See *id.*

168. See *id.*

169. *House of Commons Chief in Uruguay for Talks on MERCOSUR-EU Trade*, Agence France-Presse, Aug. 13, 1996, available in 1996 WL 3905551.

170. *Id.*

integration and freer trade are not propelled by large trade blocs alone, one by one integrating individual countries. The real impetus for economic integration and free trade comes from these individual countries, often forgotten in the limelight of groups like MERCOSUR. The real players are the Latin American countries that have sparked the desire for greater unity by widening and deepening their own regional ties, and sometimes even forging further from home. The South American Andean country of Chile once again serves as the model.

A. *Bilateral Regional Agreements*

For some time, Chile has been strengthening its regional trade ties. Countries such as Peru, Mexico, Colombia, and Venezuela, in addition to the trade blocs like MERCOSUR, have become new bilateral partners with Chile in its push for regional free trade.<sup>171</sup> For example, a bilateral free trade agreement between Chile and Colombia was signed in December 1993 that immediately eliminated all nontariff trade barriers.<sup>172</sup> The nations are scheduled to eliminate all tariff and customs taxes by 1999.<sup>173</sup> The success of the agreement is evidenced by the 26% increase from 1994 to 1995 of Chilean imports into Colombia, totaling US\$190 million.<sup>174</sup>

Venezuela signed a similar agreement with Chile in April 1993 that went into effect July 1, 1993.<sup>175</sup> Similar to its agreement with Colombia, Chile's agreement with Venezuela calls for the gradual reduction of tariffs on 300 select goods, with complete tariff elimination on the goods by 1999.<sup>176</sup> With the agreement covering such key products as automobiles, in which Chile experienced an eighty percent increase in

---

171. See Thomas Andrew O'Keefe, *NAFTA MERCOSUR Differences Will Slow Integration Efforts*, *LATIN AM. L. & BUS. REP.*, Apr. 30, 1995, available in 1996 WL 10426662.

172. See *International Trade Tips Chile-Colombia Deal*, *DALLAS BUS. J.*, Dec. 31, 1993, available in 1996 WL 9419476.

173. See *id.*

174. See *Integration Is Paying Off for Latin American Countries*, *MARKET LATIN AM.*, July 1, 1996, available in 1996 WL 8913088.

175. See *Chile: Officials Predict 100% Increase in Trade with Venezuela Under New Free Trade Accord*, *CHRON. LATIN AM. ECON. AFF.*, June 17, 1993, available in 1993 WL 2512302.

176. See *id.* Import duties were to be removed on approximately one-half of the selected goods by 1997, with the remaining goods to be tariff free by 1999. See *id.*

imports during the early part of the decade,<sup>177</sup> the economic impact of the bilateral cooperation is evident.

Chile also signed a free trade accord with Mexico on September 22, 1991,<sup>178</sup> which took effect January 1, 1992. It immediately eliminated all nontariff barriers and lowered all tariffs to no more than ten percent.<sup>179</sup> The agreement called for the elimination of all tariffs by the end of 1997.<sup>180</sup> This was Mexico's first agreement of this type in the hemisphere, and many emphasized its significance.<sup>181</sup> A press bulletin from the Mexican President's office announced, "From this, it can be seen that Mexico, beyond the rhetoric, ratifies with concrete acts its historic commitment to Latin America."<sup>182</sup> Analysts called it "a 'political model' that will demonstrate with concrete actions how Latin American economic integration can be put into effect."<sup>183</sup>

In any case, the Accord for Economic Complementarity, as the agreement is formally called,<sup>184</sup> has been a resounding success for both Chile and Mexico. During the first year following implementation of the accord, trade between Chile and Mexico increased by 49%, which doubled Chile's exports to Mexico.<sup>185</sup>

Peru's negotiations with Chile are fairly recent, occurring in the latter half of 1996, and there is a long way to go before complete free trade exists between the nations.<sup>186</sup> The delay has much to do with unequal costs and social conditions of production in the two countries,<sup>187</sup> but also illustrates that despite obstacles, Chile, like the rest of the region, remains strongly committed to expanding free trade.

---

177. *See id.*

178. *See Mexico, Chile FTA*, MEX. TRADE & L. REP., Oct. 1991, at 6, 6.

179. *See Mexico-Chile Pact: Mexico Views FTA with Chile as Model for Region*, FREE TRADE ADVISORY, Dec. 17, 1991, available in 1996 WL 2570510 [hereinafter *Mexico Views FTA*].

180. *See Mexico-Chile Pact Brings Hemispheric Zone Closer*, N. AM. REP. ON FREE TRADE, Jan. 20, 1992, available in 1992 WL 2495767.

181. *See Mexico Views FTA*, *supra* note 179.

182. *Id.*

183. *Id.*

184. *See id.*

185. *See* Roger Turner, *Chile: Model Economy Offers High Degree of Stability*, BUS. AM., Apr. 19, 1993, at 13.

186. *See* Abraham Lama, *Trade-Peru: Peru Continues Trade Talks with Chile*, MERCOSUR, Inter Press Serv., Oct. 17, 1996, available in 1996 WL 13588540.

187. *See id.*

### B. Transcontinental Trade Relations

Despite its obvious success in strengthening Latin American trade ties, Chile has not been content to stay close to home. In addition to its bilateral regional agreements, Chile has begun developing free trade relationships with countries representing almost every corner of the globe. Like MERCOSUR, Chile has also looked to Europe as a profitable market for its goods. Although European investment in Chile is not as great as that of the United States, in 1996, 28% of Chilean exports went to Europe.<sup>188</sup> Inspired by the rise in trade between the two regions, Chile signed an economic cooperation agreement with the European Union.<sup>189</sup> Chilean government officials hope that a free trade agreement will develop from the existing agreement.<sup>190</sup> In any case, Chile, like many of its neighbors, is giving the European Union the opportunity to cash in on the fruits of free trade with Latin America, whether the United States is interested or not.

Chile is also developing trade ties in another key area, the Asia-Pacific region. This region is the principal market for Chilean products, making the benefits of closer trade and investment links with this region obvious.<sup>191</sup> With this in mind, Chile became the first, and is currently the only, South American member of the Asia-Pacific Economic Cooperation (APEC) Forum.<sup>192</sup> APEC is comprised of 18 nations representing Asia, the Americas, Oceania, and Polynesia,<sup>193</sup> with a goal of free trade and investment between industrialized members by the year 2010 and by the year 2020 for members with developing economies.<sup>194</sup> Chile's association with APEC is wise considering its exports to APEC between 1985 and 1995 grew by 381%.<sup>195</sup>

Since its membership in APEC, Chile has re-emphasized its desire to strengthen ties with the Asia-Pacific region by

---

188. See Barry James, *Quiet Transition in Chile Q & A/Jose Miguel Insulza*, INT'L HERALD TRIB., Oct. 24, 1996, at 7.

189. See *id.*

190. See *id.*

191. See *Chile Committed to APEC Goals, Seeks Closer Ties with Asia-Pacific*, Agence France-Presse, Nov. 22, 1996, available in 1996 WL 12186217 [hereinafter *APEC Goals*].

192. See *id.*; see also Gustavo Gonzalez, *Asia-Pacific: Chile, A Bridge to MERCOSUR*, Inter Press Serv., Sept. 9, 1996, available in 1996 WL 11625283 (commenting on a visit to Chile by the South Korean President Kim Young Sam).

193. See Gonzalez, *supra* note 192.

194. See *APEC Goals*, *supra* note 191.

195. See *id.* The exports grew from US\$1.6 billion to US\$8.1 billion. See *id.*

affirming its commitment to accomplish APEC goals and work towards fostering “free trade, investments, [and] movement of assets and people within the economies which make up the sub-region.”<sup>196</sup> President Frei has encouraged the Asia-Pacific region to view Chile as a gateway to the “great and dynamic” Latin American market.<sup>197</sup> Foreign Relations Minister Jose Miguel Insulza explained, “We wish to transform our country into a platform linking the two dynamic poles of the world economy: the Asia Pacific and Latin America.”<sup>198</sup> Chile’s potential gateway status is seen by many as logical, partly because of its highly developed seaports and its strategic geographic position as the closest Latin American port to the Asia-Pacific.<sup>199</sup>

The idea of a Chilean gateway has been well received by APEC members.<sup>200</sup> In 1995 Chile was Singapore’s fourth largest Latin American trading partner, totaling US\$327 million in bilateral trade.<sup>201</sup> Convinced that Chile is faithful to the concept of free trade, Singapore has welcomed further agreements with Chile and has suggested its potential for acting as Chile’s “door to Asia,” providing a “springboard to the emerging and dynamic Asian economies . . . .”<sup>202</sup> Singapore’s Minister of Communication Mah Bow Tan explained, “Chile is an attractive business partner for Singapore in several ways. Chile’s openness to trade and investment can be observed in its active membership in multilateral trade groupings.”<sup>203</sup> Chile’s clear commitment is leading to deeper ties with Asian traders like Singapore.<sup>204</sup> During a visit by President Frei to Singapore in November 1996, a series of bilateral pacts were signed.<sup>205</sup> One agreement further promoted bilateral trade, a second encouraged investments such as joint ventures, and a third strengthened private sector links.<sup>206</sup>

Like Singapore, South Korea is another Asia-Pacific economy eager to trade with Chile for many of the same

---

196. *Id.*

197. *Id.*

198. *Second Export Phase*, *supra* note 10.

199. See Harish Mehta & Virkram Khanna, *Use Chile as S. American Gateway: President Frei*, BUS. TIMES (Singapore), Nov. 23, 1996, available in 1996 WL 6289397.

200. *See id.*

201. *See APEC Goals*, *supra* note 191.

202. Mehta, *supra* note 199.

203. *Id.*

204. *See id.*

205. *See id.*

206. *See id.*

reasons. Although trade between Chile and South Korea reached US\$1.66 billion in 1995,<sup>207</sup> Chile's access to the rest of Latin America, particularly the MERCOSUR countries, is a motivating factor for these Asian countries.<sup>208</sup> During a visit in September 1996 by South Korean President Kim Young-Sam, a bilateral agreement was signed to promote Korean investment in Chile.<sup>209</sup> President Kim said that South Korea is planning to inject US\$14.7 billion into Latin America by the year 2000.<sup>210</sup> Much of this investment will be in infrastructure projects.<sup>211</sup> Chile's ability to provide this access to the MERCOSUR nations means almost endless opportunity for nations like South Korea.

Hong Kong is another nation that has confirmed its interest in Chile as a trade partner. Trade between Hong Kong and Chile grew from US\$50 million to US\$650 million between 1985 and 1995,<sup>212</sup> which is reason enough to strengthen economic ties. Additionally, Hong Kong, like most of the other Asia-Pacific nations, has focused on the significance of Chile as a gateway to MERCOSUR markets.<sup>213</sup>

Japan and Taiwan are strong trading partners, and Chile is eager to enter the emerging economies of Southeast Asia, such as Malaysia, Indonesia, and the Philippines.<sup>214</sup> In the Asia-Pacific region, Chile has proved, through a ceaseless push for free trade, that Asia has much to gain from tighter trade relations with Chile's quickly growing economy and the burgeoning MERCOSUR market.<sup>215</sup> Like the rest of Latin America and other regions such as Europe, the Asia-Pacific region has been quick to capitalize on the opportunities Chile can provide.<sup>216</sup>

The resounding success Chile seems to be experiencing with the rest of the world in developing and perfecting free trade relations raises a number of questions. What will the consequences be for the United States if it remains spectator in this fast and furious race for free trade? Has the United

---

207. See *South Korean President Takes Investment Show to Strategic Chile*, Agence France-Presse, Sept. 6, 1996, available in 1996 WL 12131822 [hereinafter *South Korean President*].

208. See Gonzalez, *supra* note 135; *South Korean President*, *supra* note 207.

209. See *South Korean President*, *supra* note 207.

210. See *id.*

211. See *id.*

212. See Metcalfe, *supra* note 12.

213. See *id.*

214. See *Second Export Phase*, *supra* note 10.

215. See Metcalfe, *supra* note 12.

216. See *APEC Goals*, *supra* note 191; see also Gonzalez, *supra* note 192.

States in fact missed the boat? Will the future of free trade in Latin America be shaped by other countries or regions that are more willing to take advantage of the opportunities in the area?

Many claim the United States has not abandoned the idea of free trade with Latin America.<sup>217</sup> However, others point to the lack of progress in negotiations with Chile over its membership in NAFTA as an indicator of the United States' current stance towards Latin America.<sup>218</sup> The United States has postponed Chile's membership in NAFTA.<sup>219</sup> Having once been enthusiastic about joining NAFTA, the inattentiveness shown by the United States to the once hot issue has not slowed Chile from forging ahead in almost every conceivable direction to secure new free trade partners.<sup>220</sup>

Nonetheless, the possibility of Chile's inclusion in NAFTA is not completely dead. Canada, for example, remains confident that Chile will eventually become a member<sup>221</sup> and has taken full advantage of the opportunity to grab hold of the reins in free trade talks with Chile.<sup>222</sup> In February 1996, Canada and Chile began negotiating their own free trade agreement,<sup>223</sup> and the two countries signed a pact on November 18, 1996.<sup>224</sup> Canada has always been a leading advocate for Chile's inclusion into NAFTA, and saw many good reasons to secure a deal with Chile.<sup>225</sup> First, although trade between Chile and Canada is "relatively small

---

217. See Debra Beachy, *Canada Hopes Pact Will Open NAFTA to Chile*, HOUS. CHRON., Feb. 8, 1996, at 2C (noting Canadian and Mexican hopes that their negotiations with Chile will spur the United States to accept Chile as a NAFTA member).

218. See *id.* However, there appears to be a lack of enthusiasm in both President Clinton and the Republicans because NAFTA has become a political liability in the United States. See *id.*

219. See *id.*

220. See Metcalfe, *supra* note 12 (commenting on the expansion of trade in MERCOSUR, the European Union, and APEC); see also Gord McIntosh, *Chile Free-Trade Pact Ratifies Several Years of Patient Gains*, OTTAWA CITIZEN, Nov. 18, 1996, at A5 (pointing to the new trade deal between Canada and Chile).

221. See McIntosh, *supra* note 220.

222. See *id.*

223. See Beachy, *supra* note 217.

224. See Stephen Dale, *LATAM-TRADE: Chile Signs Free Trade Deal With Canada*, Inter Press Serv., Nov. 18, 1996, available in 1996 WL 13589241 (announcing the agreement as a preliminary step toward Chilean membership in NAFTA); see also *Canada, Chile Sign Free Trade Agreement*, Associated Press, Nov. 18, 1996, available in 1996 WL 4449707 (proclaiming the agreement between Chile and Canada as compatible with the pending Chilean membership in NAFTA).

225. See Beachy, *supra* note 217; Dale, *supra* note 224.

potatoes,”<sup>226</sup> Canada is a huge foreign investor in Chile, and trade is a natural result of investment.<sup>227</sup> Thus, cementing an agreement on trade and investment rules is an interest for both Canada and Chile. In addition, Canada saw an opportunity, as have so many other countries, in the access Chile can provide to the MERCOSUR countries.<sup>228</sup> But, Canadian Ambassador Raymond Chretien also said, “We will keep pushing the [United States]” to take the necessary measures to include Chile in NAFTA.<sup>229</sup>

Many consider the Chile-Canada deal to be an important first step towards Chile eventually joining NAFTA.<sup>230</sup> The Chile-Canada agreement consolidates the gains that have been made and provides a sense of security for trade and investment already established between Chile and Canada.<sup>231</sup> Additionally, the agreement itself is modeled after NAFTA, including similar labor, environmental, and dispute resolution provisions.<sup>232</sup> President Frei described the deal as a step towards NAFTA by explaining that after negotiating these types of deals with countries like Canada, Chile would be in a better position to negotiate accession to NAFTA when it comes to the bargaining table with the United States.<sup>233</sup> So for many, the agreement “is mostly symbolic, keeping alive some flicker of momentum on the NAFTA front.”<sup>234</sup>

For Canada there are other symbolic gains in securing the free trade deal with Chile. Some Canadians feel that they were at a disadvantage when the original NAFTA was negotiated because they “came to the table late.”<sup>235</sup> When the United States abandoned its interest in Chile, Canada saw the chance to assume a greater role in shaping free trade with Chile.<sup>236</sup> One Canadian trade lawyer described how the Chile-Canada deal facilitates this: “When you get to shape

---

226. Giles Gherson, *Canada-Chile Trade Pact Likely*, CALGARY HERALD, Oct. 1, 1996, at A15.

227. *See id.*

228. *See Dale, supra note 224.*

229. *Chretien to Lobby U.S. as Canada, Chile Sign Trade Pact: Goal of Free Trade Agreement Covering All the Americas Impossible Unless Chile Joins as NAFTA Partner Soon*, VANCOUVER SUN, Nov. 19, 1996, at D1 [hereinafter *Chretien to Lobby U.S.*].

230. *See Dale, supra note 224; see also McIntosh, supra note 220.*

231. *See McIntosh, supra note 220.*

232. *See Dale, supra note 224.*

233. *See id.*

234. Gherson, *supra note 226.*

235. *Chretien to Lobby U.S., supra note 229.*

236. *See Chile and Canada Reach NAFTA-Style Agreement*, WALL ST. J., Nov. 15, 1996, at A6.

the table and put the issues on[,] . . . that gives you a tremendous bargaining advantage.”<sup>237</sup> Canadian Prime Minister Jean Chretien affirmed his belief in the “being first is better than last” theory,<sup>238</sup> and candidly proclaimed: “The fact that we may be in a more advantageous position than the United States means of course that we will take advantage of it.”<sup>239</sup>

#### IV. CONCLUSION

Perhaps the United States should consider Prime Minister Chretien’s statement to be a foreboding one. The NAFTA was once poised to be the vehicle to the Free Trade Area of the Americas by 2005, with the United States at the helm. Now, if NAFTA is not expanded soon to include Chile, the United States will almost certainly find itself in a less advantageous position in shaping hemispheric free trade. Other countries have clearly expressed their willingness to upstage the United States whenever they are handed the opportunity to do so, and Latin America has likewise taken free trade matters into its own hands. Chile, as illustrated, is a prime example of how the region is moving full speed ahead towards freer trade, without the United States on board.

In addition to deepening regional ties, Chile and the rest of Latin America have been busy consolidating into larger trade blocs. These trade blocs, like MERCOSUR, are beginning to rival NAFTA, and while the United States continues to delay the expansion of NAFTA, these other blocs are growing at a rapid rate. If the United States does not bring NAFTA up to speed with the rest of the hemisphere, it will soon have no choice but to negotiate hemispheric free trade on a bloc to bloc basis.

This bloc to bloc negotiating concept is not one that the United States has necessarily rejected in the past.<sup>240</sup> However, the United States’ ability to shape the future of free trade for the hemisphere is damaged when it allows large Latin American blocks to get a head start on trade before it comes to the bargaining table. For example, MERCOSUR has already initiated a proposal for a three stage process to create

---

237. McIntosh, *supra* note 220.

238. Scott Dunn, *Free-Trade Pact Signed with Chile*, MONTREAL GAZETTE, Nov. 19, 1996, at F2.

239. Alex Binkley, *Canada, Chile Sign Trade Pact*, TRAFFIC WORLD, Nov. 25, 1996, at 19.

240. See Lobe, *supra* note 91.

the FTAA.<sup>241</sup> This indicates that MERCOSUR is more than willing to take over the leadership role in shaping the FTAA in which the United States currently seems so disinterested. Similarly, Brazil has always pushed for the widening of MERCOSUR, repeatedly expressing its dream of a South American Free Trade Area (SAFTA),<sup>242</sup> designed to be a powerful South American counterpoint to NAFTA.<sup>243</sup> Though it has been suggested that a SAFTA could be a tool for facilitating South America's entry into NAFTA, "[S]ome think Brazil's real goal is to build MERCOSUR into a trading power, especially if the U.S. Congress remains cool toward NAFTA expansion. Then would Brazil negotiate deals with Europe and others or make the larger trading bloc a captive one for its products?"<sup>244</sup> One World Bank study finds the latter to be a possibility,<sup>245</sup> which should raise concerns for the United States.

The United States must act now to regain credibility in the eyes of the rest of the world if it wants to be the leader in molding hemispheric free trade. The impact of individual Latin American countries' progress in their march towards regional integration and in developing trade contacts with the rest of the world, as we have seen with Chile, cannot be discounted. In addition, the trading blocs, especially MERCOSUR, have experienced massive growth in the short time that the United States has turned its head away from the region. Unless the U.S. Congress grants fast track negotiating authority for Chile's accession to NAFTA soon, the U.S. leadership position in the FTAA could be unrecoverable, and another willing participant, such as MERCOSUR, or perhaps SAFTA, will take over the helm. One presidential counselor fretted, "If we don't build a hemispheric consensus now, I'm afraid we may lose this moment altogether."<sup>246</sup> Such fears are not unfounded. As the shape of hemispheric free trade will have to curve and bend along the lines of existing trade blocks and already achieved

---

241. See *Canada Rejects MERCOSUR Proposal for Three-Stage Negotiation of FTAA*, U.S. MEX. FREE TRADE REP., Nov. 30, 1996, available in 1996 WL 13938872.

242. See LaFranchi, *supra* note 3.

243. See Stamps, *supra* note 3, at 9.

244. *Perils of a Latin American Trading Bloc*, GREENSBORO NEWS & REC., Nov. 8, 1996.

245. See *id.*

246. Amy Borrus et al., *Singing the NAFTA Blues*, BUS. WK., Dec. 9, 1996, at 54-55.

regional integration, the United States may be forced to dance to South America's tune.

*Lisa Anderson*