Washington Consensus and Latin America Integration: MERCOSUR and the Road to Regional Inconsistencies - To Where are We Going Exactly

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I. INTRODUCTION

This paper is an attempt to make connections between the Washington Consensus and the current phase of the Latin America (LA) integration process, considering especially the Common Market of the South (MERCOSUR) region. It will address the origins of the present state of things under a historic, economic, and legal perspective, taking into consideration how the Washington Consensus policies affected Latin American countries, the differences between the countries, and how their societies and governments reacted to it. Additionally, the paper will focus on regional integration, specifically for the countries of the MERCOSUR block. It seeks to demonstrate that the Washington Consensus policies, as applied to Latin American countries, had political outcomes and redirected the integration process, which includes MERCOSUR, the Free Trade Area of the Americas (FTAA), and the Andean Community (CAN).

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1. The term “Washington Consensus” was first used by John Williamson to describe a set of policies that would be consensus within the Organisation for Economic Co-operation and Development (OECD) countries to be applied to Latin America in order to adjust their economies. Williamson first developed these ideas in 1989. See John Williamson, A Short History of the Washington Consensus (2004), Paper commissioned by Fundación CIDOB for a conference From the Washington Consensus towards a new Global Governance, Barcelona, (September 24–25, 2004), available at http://www.iie.com/publications/papers/williamson0904-2.pdf. The policies of the Washington Consensus are deemed to be the core of neoliberal public policies, the so-called “neoliberalism.”
II. THE WASHINGTON CONSENSUS AS A COMMON FACTOR TO THE CURRENT SITUATION IN LATIN AMERICA, MERCOSUR, AND FTAA

A. Washington Consensus

What does the Washington Consensus have to do with the current state of affairs in Latin America? There are some main points that will be stressed in this article. Let's move back nineteen years, when the Washington Consensus recommendations were first established.\(^2\)

In the early 1980s, Latin America was just recovering from a long period of dictatorships, at least in the most important countries. Of these, several countries' economies were not stabilized, still damaged by the oil crisis of the seventies that induced huge external debts (except for Venezuela and Mexico).\(^3\) There were also serious problems in applying the "rule of law,"\(^4\) this claim would surface in the mid 1980s and grew

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2. The recommendations are:
   - Fiscal policy discipline;
   - Redirection of public spending from subsidies toward broad-based provision of key pro-growth;
   - Tax reform — broadening the tax base and adopting moderate marginal tax rates;
   - Interest rates that are market determined and positive (but moderate) in real terms;
   - Competitive exchange rates;
   - Trade liberalization — any trade protection to be provided by low and relatively uniform tariffs;
   - Liberalization of inward foreign direct investment;
   - Privatization of state enterprises;
   - Deregulation — abolition of regulations that impede market entry or restrict competition; Legal security for property rights.

   *Id.* at 3-4.


4. As confessed by Dani Rodrik, what "rule of law" really means is unclear. Accordingly, the World Bank (Worldwide Governance Indicators project) uses more than sixty parameters to measure the rule of law grade. See *Economics and the Rule of Law: Order in the Jungle, Economist* (2008), available at http://www.economist.com/finance/displaystory.cfm?story_id=10849115 (last visited September 21, 2008). Of course, the World Bank measure is far from being precise, not only because the measure of each parameter can be flawed, but mostly because the concept of rule of law itself is blurry. Note, however, one may say that there is a hard set of characteristics that indicates effectiveness or failure in implementing the rule of law. At the end of the day, rule of law means the existence of a transparent legal framework in a country and the effectiveness of this system. If one considers this simple definition in a single country, and disregards moral and cultural issues, then the concept seems acceptable. On the other hand, if one brings to the concept the international environment that all countries are subject to, and considers also moral values (in this sense democracy is to be deemed a moral value), then the statement above is only a small part of the concept as a whole. This approach is similar to the thick and thin definitions of rule of law. The first type of definitions
The rule of law approach, along with the Washington Consensus recommendations, was considered the final recipe for development. Indeed, legal security for property rights (one of the Washington Consensus recommendations) is one of the pillars of the rule of law concept. While there is not room here to go through the multiple theories on law and development, it is worth pointing out that the current approach replaced development theories and strategies that were centered in other types of economic measures that did not consider legal and institutional issues as part of their core solutions.

If one analyzes the decade of the 1990s, one will see that roughly all countries in the Central and South Americas adopted almost all ten Washington Consensus recommendations. As it was put by Carlos Blanco:

National governments are also constrained increasingly by international institutions. In the case of Latin America and the Caribbean, especially, organizations such as the International Monetary Fund and the World Bank, along with the U.S. Treasury, have obliged authorities to adopt fiscal and monetary policies that reflect the viewpoint of the “Washington Consensus”; at least they must adhere to these policies if they wish to receive economic assistance. During the 1990s, severe institutional adjustments were imposed on economies throughout the region without considering how they might affect governability. As a result, nation-states and citizens were challenged by new conflicts reflecting demands, needs, and possibilities originated in the international arena.

In some counties, like Argentina, the recommendations were a disaster. In others, like Brazil, it was satisfactory or “radically” satisfactory, like in Chile. There were, however, other issues. Despite economic

assumes the rule of law as encompassing liberty, democracy, justice, and other moral values, and the latter being more formal, centered in property rights and the efficient administration of justice. See id.

5. Id.; See also David M. Trubek on the rule of law approach to fostering development, considering when the idea came out and how it has been increasing in importance since then. Trubek affirms that the legal orthodoxy that is found within the Washington Consensus policies now tends to be more fluid (maybe a trend to a general acceptance of the thick definition of rule of law). David M. Trubek, The “Rule of Law” in Development Assistance: Past, Present, and Future, in The New Law and Economic Development: A Critical Appraisal 74-94, 93-94 (David M. Trubek & Alvaro Santos eds., Cambridge Univ. Press, 2006).

6. Until the 1980s, Latin America had been dominated by an economic policy known as import substitution industrialization (ISI), where state action was considered to be essential for development through protectionist state policies and direct action (state-owned enterprises) in heavy industry and utilities. See Douglas S. Massey et al., Introduction: Of Myths and Markets, 606 ANNALS AM. ACAD. POL. & SOC. SCI. 276, 276 (2006). This strategy did not generate development as it was expected due to set of factors (internal and external). Id.

7. See Trubek, supra note 5, at 74-84.

growth from 1990 to 2000 for the countries of the region, each of these three countries experienced a different outcome. Brazil had one of the most irrational wealth distribution levels compared to all other nations of the world. Argentina was literally broke, and Chile was leaving a period of state absence where public services were highly privatized. But there is a negative common factor: on average, Latin American countries have the worst wealth and income distribution in comparison to other regions, despite the fact that Latin America is not the poorest region of the Globe. These figures are a consequence of unorthodox economic policies allied with public polices to restrain public social expenditures.

Since then, left-wing political parties started to win elections in these countries and reactions against U.S. non-cooperation with social and

10. This statement considers the Gini coefficient, which is the common measure for wealth distribution. In 2006, despite the fact that some Sub-Saharan countries had the worst wealth distribution, Latin America, in comparison to other regions, including Sub-Saharan countries, had the worst average wealth distribution, which means a higher Gini coefficient, meaning greater difference between the poor and the rich layers of society (the other regions or country blocks are South Asia, East Asia and Pacific, Middle East and north Africa, Eastern Europe and Central Asia, and OECD). See Carlos Marx Carrasco, La aceptación social y la legitimidad de las contribuciones fiscales sociales: el pacto fiscal, presentation at international seminar Pacto Social, Pacto Fiscal: Miradas Cruzadas Unión Europea - América Latina, (Paris 29 – 31, Oct., 2007), available at http://www.eurosocialfiscal.org/uploads/documentos/20080110_120118_Eco_Carrasco_Paris.pdf. If one takes the ratio of income/consumption of the top decile and the bottom decile, and considers the worst twenty counties in the world, twelve out of these twenty countries are Latin American and Caribbean countries (they are: Bolivia, Paraguay, Haiti, Colombia, Brasil, El Salvador, Panama, Guatemala, Ecuador, Peru, Chile Argentina and Honduras, from the worst to the “better”). See also Bob Sutcliffe, Postscript, World Inequality and Globalization (Table 5), 20 Oxf. Rev. Econ. Pol. 15-37 (Spring 2004), (using data from World Development Indicators 2006), available at http://siteresources.worldbank.org/INTDECEQ/Resources/PSBSutcliffe.pdf.
11. Leroy affirms that under an ideological plan, the Washington Consensus policies placement of high importance on public debt payment will provoke, in terms of expenditure in relation to Gross Domestic Product, a decrease or stagnation of public expenses with education, and paradoxically an increase in the interest rate applied to public debt. Thus, globalization decreases the welfare state by decreasing social expenditure. See Marc Leroy, Reflexion Sociologique Sur La Globalization Fiscale, in Mondialisation et Fiscalité: La Globalisation Fiscale 263, 278-279 (Marc Leroy ed., Paris, 2006) (Original in French). In general, for poor countries, reducing social expenditures increases inequality.
12. It would also happen in other countries of the region. Most of the recent elected presidents of important Latin American countries are from left-wing parties: Argentina (Nestor and Cristina Kirchner, 2003 and 2007, respectively), Brazil (Luís Inácio Lula da Silva, 2002 and 2006), Bolivia (Evo Morales, 2006), Chile (Michelle Bachelet, 2006), Equator (Rafael Correa, 2006), Uruguay (Tabaré Vázquez, 2004), Venezuela (Hugo Chavez, 2002), and more recently Paraguay (Fernando Lugo, 2008), and with some reservation Mexico (Vicente Fox, 2000). Some of these countries were never ruled by a left-wing party. The link between inequality (wealth and income distribution) and election results is an issue that has been the object of much research. See, e.g., James K. Galbraith and Travis Hale, State Income Inequality and Presidential Election Turnout and Outcomes (UTIP, Working Paper No. 33, 2006), available at http://utip.gov.utexas.edu/papers/utip_33.pdf.
development policies driven by governments began. At this point Venezuela comes tagging along. It is what the Washington consensus brought to the region.

B. MERCOSUR AND FTAA

MERCOSUR was created in the early 1990s. It was established through the Asunción Treaty (between Brazil, Argentina, Paraguay, and Uruguay), which entered into force in November 1991. The MERCOSUR treaty was negotiated within the Latin American Integration Association treaty (LAIA) (created in 1980 with eleven members: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela). LAIA is ruled by a flexible integration treaty which allows arrangements such as MERCOSUR. LAIA replaced the Latin American Free Trade Association (LAFTA) that had been established in 1960 by the same eleven LAIA members. LAFTA was an inflexible integration treaty, and would not allow such internal arrangements, which was the reason LAFTA perished.

Due to crucial political changes, in the late 1980s and early 1990s, countries like Brazil and Argentina had to approve new Constitutions (e.g., Brazil in 1988, Argentina in 1994, Paraguay in 1992, and Chile reformed its 1980 Constitution in 1989). It was expected that Latin American countries would enter into an era of prosperity. But there was a devastating problem: economic instability, short-term cycles of hyperinflation and recession, or both at the same time. These factors contributed to countries increasing their public debts. Under this scenario, the Washington Consensus and the International Monetary Fund (IMF) supported the countries in handling the endless state of crisis. With the IMF support came conditionalities, which were very close to the Washington Consensus recommendations.

14. Id.
15. LAIA is flexible, allowing an ample range of agreements between country members and between members and nonmembers in the region and also easy access for countries to join the block. There are few restrictions to third part agreements with country members, except to trade treaties negotiated with developed countries. See Marcos Aurelio Pereira Valadão, MERCOSUL e União Européia: Um Estudo Comparativo dos Sistemas Jurídicos [Mercosur and European Union: A Comparative Study of the Juridical Systems], (May, 1999), http://www.marcos-valadao.pro.br/pdf/MERCOSUL_UNIAO_EUROPEIA_%2020Sis_%20jur_comp.pdf (last visited September 21, 2008) (text in Portuguese).

Stiglitz's concerns were strikingly reflected in the experience of Latin American IMF debtors. In relentless pursuit of the Consensus' macroeconomic discipline, privatization and liberalization of trade and capital markets, originally envisioned by Williams as a viable means to promote healthy growth, the IMF tackled on coercive reformatory man-
In the second half of the 1990s, MERCOSUR made remarkable progress. A customs union was created, with the MERCOSUR countries applying the MERCOSUR Common External Tariff to all non-member countries (which entered into force in 1995). Some MERCOSUR institutions were created, and protocols were signed to allow a formal structure to become operative in order to solve problems regarding rules of origin and similar trade issues. The block, however, would not develop trade integration like it was expected to.

Amidst the confusion of the 1990s, the Free Trade of the Americas (FTAA) was approved by the majority of countries of the Americas (1994). In the Summit of the Americas, which was held in December 1994 in Miami, Florida, American countries decided to join efforts to connect the economies of the Americas into a single free trade zone. The Heads of State and Government of thirty-four democratic countries of the region agreed to construct the FTAA, in which barriers to trade and investment should be progressively eliminated. The countries' ministers responsible for trade were, at that time, responsible for initiating a series of concrete steps to achieve the Free Trade Area of the Americas. The plan was to accomplish significant progress toward building the FTAA by 2000 and to finish negotiations of this agreement by 2005.

Some scholars have seen the implementation of the Washington Consensus policies and the FTAA (which is highly asymmetric if one considers the United States and Latin American economies as one) as a new form of political and economic hegemony in the region. This point of view was widely assumed by left-wing parties and nationalist conservatives.

dates to its loans without regard for the individual circumstances of the debtor country. The Washington Consensus' principles became the conditions without which the IMF would withhold funding. As such, the IMF forced central banks to steeply raise interest rates, stripped states of their enterprises, recklessly opened the floodgates to foreign capital and slashed protectionist tariffs, pushing Latin American economies into crisis one by one.

Id.

17. Actually, the FTAA negotiations formally started at the Second Summit of the Americas in Santiago, Chile, on April, 1998. Mario E. Carranza says that:

The FTAA was originally conceived as an extension of the NAFTA model to the rest of the Western Hemisphere. However, the inability of President Clinton to obtain “fast-track” authority from the U.S. Congress and the victory of the Brazil/MERCOSUR position during the negotiations to negotiate from 1994 through 1998 eliminated the NAFTA extension approach (also known as the hub-and-spokes model) and established a more balanced format for the negotiations.


18. Id.


20. See Mario E. Carranza, supra note 17, at 1030-41.
It is worth mentioning that in the last decade of the twentieth century, Latin America shifted from the negative trend that existed prior to the creation of regional trade agreements, and that growth in trade of the region was 10.8 percent (in present value terms), which considerably exceeded the world growth in trade of 6.6 percent during the same period.\textsuperscript{21}

This was the state of affairs as we entered into the twenty-first century. It is necessary to analyze how this situation developed since then.

III. FTAA, BILATERAL FTAS, AND THE VENEZUELA MOVE

One can mention that the aggressive way the United States moved toward imposing the FTAA on South American countries, by signing bilateral free trade agreements (FTAs) with countries in the region, resulted in a series of unfortunate events to FTAA.\textsuperscript{22}

The United States started to use its economic power to push Latin American countries to sign bilateral free trade agreements when the FTAA negotiations appeared to be unproductive. It seems the strategy was (or is) to solve bilateral problems through FTAs with Latin American countries and the most powerful economy on the block. The resulting next step would then be easier because the needed adjustments and solutions to problems would be more trouble-free. Chris Brummer's ideas are in line with this position when he affirms that bilateral treaties do not block future multilateral arrangements.\textsuperscript{23}

One may notice that U.S. strategy was based on a strong Washington Consensus-styled position regarding free trade, and that the U.S. strategy had different consequences to CAN and MERCOSUR. MERCOSUR countries refrained from negotiations (although Paraguay and Uruguay were pressured by the United States to sign bilateral FTAs). The reaction of MERCOSUR was to delay the pace of FTAA negotiations and try to


\textsuperscript{22} As it was put by Kevin J. Fandl: “[w]hile the United States' efforts to secure a multilateral FTAA have failed, the United States may still be able to reassert its power in the hemisphere through the signing of bilateral FTAs.” Kevin J. Fandl, Bilateral Agreements and Fair Trade Practices: A Policy Analysis of the Colombia-U.S. Free Trade Agreement (2006), 10 YALE Hum. RTS. & DEV. L.J. 64, 73-74 (2007). See also id. at 77 and accompanying footnotes.

\textsuperscript{23} As it was put by Chris Brummer:

Unlike bilateral treaties, which, as nondiscriminatory arrangements, are not designed to keep counterparties from signing future agreements with other parties, regional treaties are at times exclusive arrangements that prohibit signatories from independently concluding commercial agreements with third parties. As a result, regional agreements may obstruct bilateral treaty making and, in the process, prevent members from maximizing their own welfare - as well as that of the region. This insight suggests that regional treaties hold implications for efficiency in bilateral settings that are potentially as far reaching as regionalism's impact on multilateral forums, where regional institutions often stymie efforts to initiate broad global reforms.

strengthen the MERCOSUR regional integration processes. But within the CAN (which used to consist of Chile, Colombia, Peru and Venezuela), things did not work out the same way. CAN members Peru and Colombia have signed bilateral FTAs with the United States. As a consequence, but not for this the sole reason, Venezuela resigned from CAN and adhered to MERCOSUR in 2006.24

There has been criticism of the U.S. strategy to build-up bilateral agreements instead of forcing negotiations within the FTAA multilateral agreement, but, in fact, negotiation of bilateral trade treaties with Central and South American countries can really be a workable strategy to circumvent the FTAA process.25 These bilateral agreements, however, have not been signed with Brazil and Argentina, the two biggest economies of the south region.

There is no doubt that Brazil and Argentina are fundamental to the process of achieving the FTAA's goals, and one can hypothesize that as long as Brazil and Argentina are negotiating with the North American Free Trade Agreement (NAFTA) members under the FTAA proposal, mainstream negotiations will be preserved. As a consequence, bilateral FTAs, far from being discriminatory, may become paths to a large multilateral agreement – the FTAA. By way of bilateral FTAs, the small differences between the countries would be settled. This will pave the road for the “big multilateral treaty” because those questions will no longer be part of the whole negotiation. That is the reason why it is reasonable to assume the bilateral trade treaties between the United States and Canada with Latin and Caribbean countries are not seen as nuisances to the FTAA integration process, but rather as shortcuts.26 Bilateral FTAs, however, have affected CAN and MERCOSUR, and were one of the reasons that Venezuela abandoned CAN and joined MERCOSUR.

Considering President Chavez's actions and declarations, one may also assume that there is a strong political motivation for Venezuela to join

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24. Id. at 1380-1381. Chris Brummer pointed out that: 
Venezuela’s decision to leave the CAN for Mercosur was, as some journalists have suggested, far from naive. Founded in 1991 by the Treaty of Asuncion, the customs union between Brazil, Argentina, Uruguay, and Paraguay moves over $ 150 billion in annual trade, compared to the CAN’s $ 9 billion. Even though, as mentioned above, CAN members enjoy “associate member” status in Mercosur with certain trade benefits, full membership in Mercosur is much more valuable to Venezuela than membership in the CAN.

Id. at 1387.


MERCOSUR, a block that aggregates the two biggest and most influential economies of South America (Brazil and Argentina).

IV. BRAZIL AND U.S. TRADE RELATIONSHIP

Brazil is the most important economy in South America, with 50 percent of the land mass, roughly 15 percent of the population, and roughly 50 percent of the gross internal product (GIP). As a comparison, Argentina has roughly 20 percent, Venezuela 8 percent, and Chile 6 percent of South Americas GIP. Brazil's trade relations with the United States, however, are not privileged. Instead, the United States has adopted selective tariffs against Brazil, which can be shown "by a comparison between Brazil's average nominal import tariff on the [twenty] top U.S. global export products, which was 11.54 [percent] in 2002, and the average nominal U.S. import tariff on the [twenty] top Brazilian global export products, which was 44.4 [percent] in 2002." The most affected items are agricultural products and low-value-added manufactured products. There is also protection through the use of non-tariff barriers such as antidumping and countervailing measures.

Along with this regional situation, came the WTO negotiations stalemate which was provoked mainly by agricultural subsidies and treatment of services discussions. Let's move on to these themes.

V. THE HIDDEN AGENDA OF THE FTAA AND THE LINK TO THE WTO NEGOTIATIONS ON AGRICULTURAL SUBSIDIES AND SERVICES (GATS)

It has already been mentioned that negotiations regarding agricultural products have hampered the pursuit of an FTAA agreement, and have also been a problem within the WTO process. Developing and poor countries that are generally cost effective in producing such goods frequently find tariff barriers imposed by developed and rich countries. When these tariffs are aligned with huge agricultural subsidies they create false agricultural competition.

Another crucial point is service trade. Developing and poor countries are service buyers; thus, to protect their markets, they want to tax service imports. Conversely, rich countries do not. Developing countries also have a vast array of services delivered by the government, and rich countries demand privatization. These two issues exist in FTAA and WTO negotiations, and now one can say that they are linked forever. This means that these issues will not be solved solely within the WTO or

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29. Id. at 699.
FTAA. Rather, they are part of the global problem and, therefore, the solution must be global; there is no space for an insulated FTAA settlement on these issues. This is not pessimism, but realism.

A further factor impeding trade relations between South and North America, which would allow a trade integration of the Americas, is the negotiations between MERCOSUR and the European Union (EU). MERCOSUR and the EU have been negotiating an inter-block trade agreement since 1994, when they agreed to an Interregional Framework Cooperation Agreement, which outlined broad proposals (negotiations actually began in 1992 with an Interinstitutional Cooperation Agreement). The negotiations did not develop as planned, but they were not interrupted. There is also a stalemate similar to the one between Brazil and FTAA (or MERCOSUR and FTAA), regarding subsidies, access to the agricultural products market, and services (the EU requests liberalization of MERCOSUR service markets). One can affirm that in this case, MERCOSUR and EU negotiations are dependent upon WTO negotiations regarding the DOHA Round\textsuperscript{31} – any resemblance to MERCOSUR and FTAA impasse is not a coincidence. The Andean Community also has been negotiating trade agreements with the EU. Indeed, CAN and EU are now discussing the third round of CAN-EU negotiations.\textsuperscript{32}

It is a fact that agricultural subsidies, quotas, tariffs, and service liberalization are the issues that must be discussed and resolved if there is to be hope of creating a more integrated world.

VI. MERCOSUR AND THE CHANGE OF THE INTEGRATION PROCESS TO OTHER FIELDS

A. The Symbolism of the MERCOSUR Passport

Brazil has adopted an official travel document (a new Passport, since December, 2006), which is not exactly a Brazilian Passport, but a MERCOSUR Passport. It is important to point this out because this document is a sign that MERCOSUR integration is still on course. Even though there is no substantial economic progress in the recent integration process, there are other areas of integration that are in fact progressing. One very important feature of the MERCOSUR passport is that it enhances workforce mobility and facilitates cultural and political integration. Sometimes this form of integration comes before economic integration.


\textsuperscript{31} See Deise de Oliveira, Acordo Mercosul-União Européia Depende de Desfecho de Doha [MERCOSUR-EU Agreement depends on the DOHA Outcome], Folha Online, (September 14, 2007), available at http://www1.folha.uol.com.br/folha/dinheiro/ult91u328605.shtml

B. Other Streams of the Integration Progress

Due to a number of circumstances, most of them already mentioned, FTAA and WTO froze negotiations. But what about MERCOSUR? Actually, MERCOSUR and CAN have not been developing as expected. If one examines the internal trade by economic block in 2000, the picture is this: Asia – 68 percent; EU – 60 percent; NAFTA – 50 percent; MERCOSUR – 22 percent; and, CAN – 10 percent. This means that in terms of internal trade, which indicates the trade integration index, MERCOSUR is surpassed by all the other blocks, except for CAN. MERCOSUR internal trade, however, tends to increase faster than trade with third countries.

I think MERCOSUR is now paving the roads previously opened, yet they are still uneven. MERCOSUR is beginning the next step by discussing political and cultural issues, the passport and the MERCOSUR Parliament that was established in December 2006 are signs of this phase.

There are others also, as it was put by Robert A. Pastor:

Perhaps because of the region’s closer ties to Europe, MERCOSUR defined itself in terms that went beyond just economic cooperation. They agreed to develop together regional infrastructure in transport, energy, and telecommunications. And in 1998, the four countries signed a Declaration on Workers’ Rights and a separate agreement to support democracy, human rights, and a “peace zone.” The MERCOSUR countries have also negotiated associate membership with Bolivia and Chile, and are consulting with the Andean Community. Although MERCOSUR has been tested by the financial crisis in Brazil and rising unemployment in Argentina, it has continued to expand and deepen economic cooperation. The member governments have reached a sectoral agreement on automotive trade, and they are negotiating ways to harmonize immigration policies (though a MERCOSUR passport and greater workforce mobility), financial statements and statistics, and macroeconomic coordination. Most important has been MERCOSUR’S extraordinary growth of intraregional trade – averaging 19 percent a year during the 1990s, almost three times higher than the rate of growth of their world trade.

The MERCOSUR Parliament has started to discuss a large array of issues, pushing into the agenda themes such as visa fees exemption, cattle

34. Pastor, supra note 21, p. 174.
35. The MERCOSUR Parliament initially consisted of eighteen congressional representatives from each of the five countries. In the second phase, due to begin in 2010, the representatives will be directly elected by secret ballot. The MERCOSUR Parliament is deemed to contribute to the consolidation of South American integration and to improve regional cooperation. It will also work to establish mechanisms to facilitate the incorporation of MECOSUR norms into the laws of the five member states, http://www.parlamentodelmercosur.org/index1.asp.
diseases (a common problem to MERCOSUR countries), energy production and distribution and, of course, issues relating to the formation of a customs union zone, toward a common market.

Brazil has also been forced to finance the poor countries of the block to decrease economic discrepancies between the member countries. But it is very difficult, from a political point of view, to convince Brazilian taxpayers to pay higher taxes to finance the development of other countries, as has happened in Europe.

There is also an ongoing process to link the South American logistical infrastructure through the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). The IIRSA was adopted at a Meeting of South American Presidents held in Brasilia, in August 2000. At that meeting, regional leaders agreed to take joint actions to increase South American political, social, and economic integration, including the streamlining of regional infrastructure. This demands precise measures to promote integration and development of isolated sub-regions.37

Also worth mentioning, is the so-called project “Red de Mercociudades”, which can be literally translated as “Mercocities Net”.38 This is a network of cities within the MERCOSUR region that will develop joint projects, joint solutions to common problems by sharing experiences, and foster development through the process of integration.39

Another relevant factor is that despite the fact that trade negotiations between MERCOSUR and EU did not develop quite well, the political and technical cooperation regarding public policies did develop.40 This


38. “Mercociudades” and “Mercocities” are neologisms, new words derived from “Mercosur + ciudades” (in Spanish) and “Mercosur + cities” (in English). It is similar to European action of “Eurocities.” For general information on Mercociudades see http://www.mercociudades.org, and Eurocities; see http://www.eurocities.org.

39. The Mercociudades Net was formed in 1995 and congregates 198 cities from Argentina, Brazil, Paraguay, Uruguay, Venezuela, Chile, Bolivia, and Peru. For a detailed and technical approach to this topic see Carlos Nahuel Oddone, LA RED DE MERCOCIUDADES: GLOBALIZACION, INTEGRACION REGIONAL Y DESARROLLO LOCAL (Instituto de Iberoamérica y el Mediterráneo, 2008).

40. As it was put by Robert A. Pastor: These negotiations appear thus far headed to a mutually agreeable conclusion. As noted above, as part of its relationship with the EU, MERCOSUR has thus far received substantial amounts of financial assistance meant to be used for the development of its institutions. This financing, and the substantial “technical assistance” provided by the EU and its institutions to date, could substantially change the organization and operation of MERCOSUR’s institutions in the future. Furthermore, a successful completion of these negotiations could mean a highly advantageous entry for MERCOSUR goods into the European market, a state
may be an initial first step to ensure that in the future trade negotiations will follow.

VII. WHAT IS NEXT?

The next phase, especially for MERCOSUR, is to foster economic integration. This is one of the reasons Venezuela is attempting to become a full member of MERCOSUR. The FTAA will not move ahead if the United States does not rescind subsidies or does not give affirmative signs that it will for developing countries when discussing services at the WTO. In other words: the DOHA Round is blocking the countries' negotiations with regards to FTAA and MERCOSUR.

The Europeans have a persistent policy of attempting to demonstrate to Latin America that public policies toward social cohesion are better than leaving society alone to be controlled by the ancient (and blind) invisible hands of the market, as epitomized by the Washington Consensus policies. This point of view would push Latin American countries to a more EU-like style of distributive policies.

Another example of these new trends is Brazil's threat to cross-retaliate regarding the upland cotton subsidies adopted by the U.S. Government. These subsidies have been deemed to be illegal and have affected Brazilian cotton exports, according to a WTO decision. Now, Brazil will request WTO authorization to apply cross-retaliation to U.S. exports to Brazil, if the United States does not implement the WTO ruling.

In 2005, after Brazil won the cotton case against the United States, it formally requested the right to retaliate against U.S. patents, copyrights,
and services providers, and further suspended cross-retaliation request against the United States.\textsuperscript{44} In line with this position, there is a proposed bill in the Brazilian Congress that, if adopted, will widen the scope of the breaking of patents on drugs for AIDS treatment—which has been a paradigmatic issue since the beginning of the Doha Round. The bill states in its first clause that the law will establish procedures for the adoption of measures relating to the suspension, weakening, and extinction of property rights in the Brazilian territory when a foreign country does not accomplish multilateral obligations according to the WTO.\textsuperscript{45}

\section*{VIII. CONCLUSIONS}

The facts that have been discussed here explain why MERCOSUR, CAN, and FTAA are not working together to acquire a common destiny, while MERCOSUR is still in evolving.

Despite all the deterrence factors presented in this paper that would halt MERCOSUR development (in the sense of economic integration), there are economic and non-economic factors that are pushing the region to a position where economic and trade integration will be easier in the future. When economic and trade integration will be accomplished, however, is a question yet to be answered.

The facts and analysis aforementioned also explain why the adoption of the Washington Consensus recommendations diversified political power with the Latin American region allowing left-wing parties to take control in the most important Latin American countries. Moreover, the adoption of the recommendations also had an economic impact on the region’ economies. One of the consequences of these changes was to make FTAA negotiations akin to those of the WTO, resulting in similar agendas.
