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ORGANIZATION OF  
AMERICAN STATES



INTER-AMERICAN  
DEVELOPMENT BANK



UNITED NATIONS ECONOMIC  
COMMISSION FOR LATIN  
AMERICA AND THE CARIBBEAN

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**TOWARDS FREE TRADE  
IN THE WESTERN HEMISPHERE**

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**September 15, 1994**

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Original Document: English



## Executive Summary

Since the 1980s the Latin American and Caribbean countries have been undergoing profound economic changes in order to renew growth and development and to participate more effectively in a competitive world economy. The changes have included an impressive unilateral trade liberalization process, far-reaching structural reforms, and a deepening and widening of a variety of subregional integration accords. Indeed, today's political and economic environment is such that the region is showing interest in the creation of a hemispheric free trade area. There is, however, the question of how to best achieve this objective.

In light of the upcoming Presidential Summit, and with a view to promoting consensus around a process that can effectively construct a hemispheric free trade area, this paper examines some potentially viable alternatives. The alternative paths presented, which are not necessarily mutually exclusive, fall into two broad categories: bilateralism and multilateralism. A discussion of the advantages and disadvantages of each alternative is prefaced by a list of the basic principles that should guide whatever mechanism is chosen to eventually form a hemispheric free trade area. These principles are a commitment to multilateral trading rules; explicit and flexible membership criteria; equal treatment for all members; transparency; complementarity of rules among agreements; effective institutions; and reliance on existing hemispheric institutions to give initial impulse to the construction of a hemispheric free trade area.

While it is possible to move toward free trade in the hemisphere through the realization of a series of bilateral accords that eventually converge, this type of option has several inherent limitations which make it less viable and attractive than a multilateral route. In contrast to bilateralism, multilateralism, while being potentially cumbersome at first, provides a more direct and explicit path toward the attainment of hemispheric free trade. Multilateralism involves an agreed-upon framework for collective consultation and negotiation of the terms of a broad-based trade liberalization process. Thus it can accommodate the different conditions among countries in a context of common principles that better facilitate a process of hemispheric free trade.

One possible route within the multilateral approach is the gradual extension of membership in one of the major existing subregional agreements until it incorporates all the countries of the hemisphere. Accession to NAFTA is potentially a strong option in this regard. NAFTA is a multilateral accord that includes the main economic partner and foreign investor for a large number of countries in Latin America and the Caribbean. The agreement's common set of rules already regulates three-quarters of intra-hemispheric exports. The agreement moreover is consistent with GATT, and its accession clause is an

expression of open regionalism. The prospects of lowering investment risk through the locking-in of an agreement with a major industrialized economy also constitutes an additional motivation to accede to NAFTA.

Nevertheless, for further significant trade liberalization to occur in the hemisphere through an expansion of NAFTA membership, the procedures for accession and criteria for application to the agreement still need to be defined. In light of the heterogeneous levels of development in the region, an inclusive hemispheric process would likely demand flexible transitional arrangements and less uncertainty in areas that are sensitive to developing countries, such as labor and environmental standards. Hemispheric accession also would require committed political leadership, and, given the key role of the United States in this process, "fast track" authority should be granted to the Executive Branch.

While NAFTA accession is a major potential option for the goal of forming a hemispheric free trade area, the overall process can be strengthened and complemented through the progressive convergence and widening of all existing subregional agreements, such as NAFTA, MERCOSUR, CARICOM, CACM, and the Andean Pact, based on firm commitments to shared principles and to participation in a common negotiating framework. This paper outlines a way to develop a mechanism which could multilateralize free trade benefits among existing subregional accords within a mutually agreed-upon period of time, while at the same time generating a hemispheric consensus on common minimum standards for sensitive trade-related issues such as intellectual property, labor and the environment. Regular hemispheric ministerial level meetings could determine the precise form of the mechanism to multilateralize trade benefits as well as the interim measures that would ensure that the widening and deepening of existing subregional accords constitute effective building blocks for the larger hemispheric objective. The process could be facilitated by placing it in a hemispheric forum like the OAS Special Committee on Trade, with technical assistance provided by hemispheric organizations such as the IDB and ECLAC. In concluding, this paper points out that the mechanism to multilateralize free trade benefits among existing subregional accords is a new concept for hemispheric discussion, with its own set of complexities that will require the cooperation of all countries. However, it has the advantages of building on existing progress in subregional integration and advancing the hemispheric free trade process on the basis of inclusion and consensus.

## Introduction

Since the 1980s, the countries of Latin America and the Caribbean have been undergoing a profound economic transformation in order to face the competitive demands of a changing world economy and the challenges of renewing growth and development. At the same time, the United States and Canada have also been experiencing substantial economic restructuring, as they adapt to the increasing competitive pressures of a multipolar world economy. Meanwhile, in the political sphere, the end of the Cold War has introduced new opportunities and challenges for defining hemispheric relations.

These developments have contributed to a shift in hemispheric priorities within the realm of economic, social and political issues. Today, these changing priorities are reflected in the hemispheric agenda and include trade and investment liberalization, good governance, poverty reduction, and environmentally sustainable development.

One of the central aspects of the economic transformation in Latin America and the Caribbean has been impressive unilateral trade liberalization. This has been recently complemented by a surge of new subregional integration initiatives and growing hemispheric interdependence. Traditional subregional agreements have been revitalized, such as the Caribbean Community (CARICOM), the Andean Pact and the Central American Common Market (CACM). New initiatives also have emerged, including MERCOSUR, the North American Free Trade Agreement (NAFTA), the Group of Three (G-3) and numerous bilateral accords.

The combination of progressive unilateral liberalization and renewed subregional integration, all in the context of an outward-oriented development strategy, has led to a practice of "open regionalism." Within this context, there has been a growing interest around a new objective: development of a free trade area in the Western Hemisphere. Such an integration process can have many benefits, including increased scale of production; reduced transactions costs; fuller exploitation of geographic trading opportunities; absorption of technological progress; spurring of specialization within industries; the locking-in of economic policy reforms; and substantial institutional developments through cross-country cooperative programs.<sup>1</sup> The question that remains to be answered, however, is how best to achieve the objective of a hemispheric free trade area (WHFTA).

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<sup>1</sup> ECLAC (1994), Open Regionalism in Latin America and the Caribbean, LC/G.1801 (SES.25/4), Santiago, Chile.

In an attempt to give more shape to the hemispheric discussion of this issue, particularly in anticipation of the Presidential Summit of the Americas, the present document will examine some basic principles and alternative paths to hemispheric integration. The first part enumerates a set of common principles that should guide any path towards hemispheric trade liberalization. Their purpose is to facilitate a common basis for achieving a more efficient and sustainable hemispheric integration process.

The second part of this paper explores two different paths for hemispheric trade liberalization. One is characterized by individual bilateral negotiations among countries, while the other relies on multilateral processes. Within the multilateral track, one route is the gradual extension of membership in one of the major existing subregional agreements until all the countries of the Americas are incorporated. In this regard, NAFTA is potentially a viable option. Hemispheric free trade could also be attained through the progressive convergence and widening of all existing subregional agreements based on commitments to shared principles and a common negotiating framework.

## **I. Principles**

While there is consensus that subregional agreements can serve as building blocks for freer trade in the region and indeed the world, the maintenance of open regionalism among the countries of the hemisphere is by no means assured or automatic. In order to promote trade initiatives that will complement rather than conflict with the objective of open regionalism and multilateral trade liberalization, the following principles can help guide subregional and hemispheric accords.

### **1. A Commitment to Multilateral Trading Rules**

Integration efforts within the Western Hemisphere should advance global trade liberalization, rather than the formation of restricted blocs. Authorities therefore should use GATT principles to guide the formation of regional trading arrangements. These principles include not raising protection above levels prevailing prior to the formation of a Free Trade Area (FTA) or Customs Union; eliminating trade barriers within a trading zone across substantially all sectors within an agreement rather than having sectoral or topic-by-topic coverage; and assuring that trade agreements have a precise interim plan and schedule for the staged introduction of benefits and disciplines.

## 2. **Explicit Entry Procedures and Flexible Membership**

Trade accords should contain explicit rules of entry, including clearly defined procedures and technical conditions for application and negotiation of accession. With this, countries can more effectively focus their attention on enhancing their "readiness to negotiate." The existence of clear and open rules of accession should moreover facilitate assistance and financing from regional multilateral agencies for this purpose. Open regionalism will be enhanced if agreements contain accession clauses and a commitment to initiate negotiations within a stated time frame for all nonmembers who formally apply for membership. Flexible terms of membership should also be promoted in order to broaden the participation of countries and to allow the new members to gradually adapt to all the parameters of an existing accord, after a mutually agreed transition period.

## 3. **Equal Treatment**

Trade liberalization in the Western Hemisphere should be based on reciprocity, whereby mutual benefits are attained through mutual obligations, without precluding flexible transition periods among the parties. Agreements that do not offer new membership on terms equal to those of existing members can introduce distortions and cause trade and investment diversion.

## 4. **Transparent Rules**

It is important that subregional accords adhere to basic standards of transparency regarding their key trading rules. This in turn will better support private sector investment initiatives within and across subregional accords and will also facilitate the procedures of the new World Trade Organization. Some areas where transparent norms will be particularly important include rules of origin, rules for free trade zones, and staged phase-in periods for different member countries.

## 5. **Complementarity**

Countries must cooperate to promote accession clauses and trading rules which are compatible over time, thus establishing a basis for an eventual convergence of all subregional integration accords.<sup>2</sup> Without this cooperation, the hemisphere risks becoming encumbered by a bewildering maze of accession procedures, rules of origin, and tariff phase-outs that will actually increase transaction costs and protectionist practices.

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<sup>2</sup> Final Document of the Conclusions of the Fourth Ibero-American Summit of Chiefs of State and Government, Cartagena, Colombia, 14-15 June, 1994.

## 6. Effective Institutions

Institutional mechanisms are essential to carry out operation and enforcement of trade accords. However, institutions should be kept simple in structure, tightly focused on essential functions, and properly staffed to adequately comply with given mandates. They should also be flexible enough to evolve with the changing requirements of the accord.

Among the most important institutional functions generally required are the resolution of disputes (set up to be flexible, speedy, and nonbureaucratic); the financing of adjustment, retraining and development, (well focused on those sectors and regions that are bound to experience the most dislocation); and the monitoring of the execution of the agreed rights and obligations. The success of free trade accords will be further enhanced when institutional arrangements improve the efficient functioning of markets, including the enhanced flow of information and the harmonization of standards for quality and procurement.

To ensure transparency, all institutional mechanisms should be subject and accessible to public scrutiny.

## 7. Initial Reliance on Existing Hemispheric Institutions

The transition to a broader hemispheric free trade arrangement will require a great deal of preparation and coordination. The process should begin by relying on existing hemispheric institutional structures -- for example, the OAS Special Committee on Trade and the OAS/IDB/ECLAC Tripartite Committee -- to facilitate and enhance the "readiness to negotiate" of governments and the private sector. Existing institutional mechanisms will also be very useful for initial multilateral monitoring and dissemination of information, as well as for providing technical assistance for negotiators. The creation of more permanent institutional frameworks should be undertaken in due time so as to avoid the premature selection of structures which might not be the most appropriate in the long term.

## II. Alternative Paths to Hemispheric Integration

There are several potential paths for reaching hemispheric trade liberalization. For example, individual countries could seek bilateral free trade agreements with the hope that these would ultimately spread into hemispheric free trade. Subregional groupings could conduct negotiations among themselves, potentially creating a free trade area that would eventually include all countries of the hemisphere. Individual countries or groups of countries in the hemisphere could also request negotiations for accession to an existing arrangement, which would ultimately evolve into a hemispheric agreement. In



any event, if bilateral and subregional accords proliferate, at some stage an umbrella agreement will probably be required that pulls all arrangements together to optimize trade creation and to eliminate conflicting trade and investment arrangements.

Most of these scenarios are not necessarily mutually exclusive, since different countries or groupings may choose different options during the formative phases of integration. Indeed, to a certain extent, some of these options are already in progress.

In sum, hemispheric liberalization and convergence of existing schemes can be approached through a process of bilateral negotiations between individual countries. Alternatively, the process can follow a multilateral path toward hemispheric trade liberalization. These two paths are explored below.

## II-A. Bilateralism

Bilateralism has the potential to be a rapid and simple vehicle by which countries can push forward national agendas for trade liberalization. The possibility of moving from bilateral agreements to hemispheric liberalization, however, depends to a significant degree on the characteristics of the accords reached by the participants. Thus, a series of open bilateral agreements could conceivably be stepping stones towards broader subregional agreements and be compatible with eventual hemispheric liberalization, while exclusive bilateral arrangements that raise barriers to third parties would clearly be a setback to the hemispheric process.

The emergence of hemispheric free trade thus depends on whether the agreements are easily converted into a multilateral framework. For instance, in addition to an open accession clause, it would also depend on whether the bilateral liberalization covers substantially all international trade and on whether commercial rules are broadly consistent with acceptable international practices.

Where bilateral agreements are open and compatible with the world trading system, and conducive to expansion of markets and investment, membership will be attractive to others. With time, a network of broadly compatible agreements could emerge. But in order to achieve hemispheric integration, at some point the process of hemispheric liberalization through the juxtaposition of diverse bilateral agreements would have to acquire a multilateral character.

While bilateralism could be a stepping stone toward a broader form of liberalization, it nevertheless has several inherent limitations. First, the benefits of trade liberalization tend to be concentrated in a few countries. In practice, these agreements tend to be discriminatory and some common characteristics of bilateral agreements make convergence difficult. They typically lack open accession clauses and establish differentiated rules of origin or preferential norms that are obstacles to convergence. In

sum, the existence of a multitude of commercial rules exacerbates discrimination and potential trade diversion and raises uncertainties that dampen investment incentives.

With regards to institutional arrangements, bilateral agreements tend to establish *ad hoc* and opaque dispute settlement mechanisms. Once several bilateral mechanisms are operating, it can be even more difficult to harmonize trading rules across countries as precedents are set and vested interests are consolidated. Likewise, it is evident that countries encounter high costs when attempting to administer rules across many bilateral agreements. Once created, moreover, dismantling and replacing a complex network of administrative rules may also prove costly and thus block the convergence of liberalization schemes.

In the realm of international relations, the proliferation of bilateral accords can provoke political and economic conflicts. The existence of different negotiating capacities across countries further complicates the situation, because smaller and weaker countries could tend to be excluded. In addition, bilateralism is prone to encourage sector-specific arrangements that favor interest groups which can obstruct the multilateralization of agreements in order to maintain their rents. Thus bilateralism tends to generate rigid conditions that are difficult to change later.

Bilateralism also tends to follow economic incentives which concentrate attention on the most attractive markets at the expense of others. This could easily lead to the creation of hub-and-spoke systems dominated by competing larger market countries, exacerbating the effects of trade and investment diversion. Firms within the hub country will have incentives to discourage multilateralization of free trade benefits in order to protect their own preferential position. Also, agreements between the hub and the various spokes may be inconsistent with one another, thus creating a trading maze that causes uncertainty and raises the costs of doing business, as well as slows down convergence in the hemisphere.

The hub-and-spoke system has a particularly perverse effect on investment. As long as there is no free trade and investment among the spokes, the hub country gains access to all spoke markets and each spoke is in a disadvantageous position to compete for direct investment, thus exacerbating trade and investment diversion.

In sum, the possibility of moving toward free trade in the hemisphere through the bilateral path could be complicated and very risky. To achieve the goal of hemispheric free trade, bilateral agreements would at the very least have to respect the common principles outlined above and ultimately be renegotiated and collectively administered in a way that clearly leads to multilateral convergence.

## II-B. Multilateralism

In contrast to bilateralism, a multilateral approach involves an agreed framework for collectively negotiating the terms of broad-based trade liberalization. Multilateralism can take the form of successive accessions to a major subregional agreement, such as NAFTA, or the negotiated convergence of free trade among a number of countries or subregional accords. While multilateralism may appear more cumbersome than bilateralism in the initial stages, it has the advantage of more directly setting the stage for attaining a simplified common set of mutually agreed rules for hemispheric trade and investment.

Since countries and subregions find themselves at various levels of readiness to move forward on the free trade front, governments may have different preferences as to whether to pursue their objectives independently, as part of a group, or even to pursue both routes simultaneously. In general, any effective multilateral process towards hemispheric free trade must in some way accommodate the different national conditions regarding the disposition and capacity to negotiate, as well as preferred strategies, both at the subregional and hemispheric levels.

Whatever path is taken, hemispheric negotiations will likely test the cohesion of subregional integration schemes, particularly because both between and within subregional agreements countries are at very uneven stages of economic reform. In this context, deepening subregional integration arrangements could become an interim vehicle for achieving hemispheric trade liberalization, but on the condition that agreements remain open and share basic trading principles. At the same time widening subregional accords can begin to foster hemispheric links, with the largest market configurations like NAFTA and MERCOSUR possibly constituting the major attractions for other countries and subregional schemes. Convergence, moreover, might require some multilateral mechanism that promotes deepening and widening in a way that all subregional processes ultimately complement each other.

A hemispheric strategy thus should be inclusive, accommodating the widest possible objective differences among the countries. What needs to be avoided is exclusive hemispheric strategies, or potentially worse, the development of a vacuum in which there is no hemispheric strategy at all. Either situation raises the danger of a competitive race among bilateral and subregional trade pacts.

What follows below are two possible mechanisms for a multilateral path to hemispheric trade liberalization. One involves accession to NAFTA, an agreement which to date has attracted the broadest interest as a vehicle for hemispheric integration. The other is a framework for the negotiated linkage and convergence among a variety of countries and subregional accords, including NAFTA, MERCOSUR, CARICOM, CACM, ALADI, the Andean Pact, and incipient configurations such as the Association of Caribbean States (ACS) and the South American Free Trade Area (SAFTA).

## II-B.1. NAFTA Accession

Accession to NAFTA is potentially a straightforward option towards building a hemispheric free trade area. According to ECLAC, NAFTA, "stands out as the most comprehensive free trade agreement in the hemisphere and the first to be negotiated between a developed and a developing country." It is also characterized as "a precedent ...that could lead to progress in hemisphere-level integration, if other Latin American and the Caribbean countries eventually joined."<sup>3</sup>

For several reasons, accession to NAFTA could be a viable path to free trade in the hemisphere. NAFTA is a multilateral accord that includes the very large North American market, particularly the United States, which is the main economic trading partner and foreign investor for a very large number of countries in Latin America and the Caribbean. Moreover, exports among NAFTA partners represent three-quarters of intra-hemispheric exports and are now regulated by a common set of agreed rules and institutions. This makes NAFTA a powerful force in the drive towards hemispheric trade liberalization. Added to this are the prospects of reduced risk premiums and enhanced investment flows for those able to lock into a free trade agreement with a major industrialized economy. Indeed, consideration of these positive lock-in effects can be by itself a strong motive to explore entry into an accord with NAFTA or with the United States.

While the approval of NAFTA was a politically complex process, the continued existence of important constituencies in each member country that have demonstrated energetic and effective support of the agreement, coupled with the encouraging initial results of NAFTA trade, constitutes a potential basis for expecting future expansion of membership.

NAFTA rules are for the most part already operational, transparent, and consistent with GATT. NAFTA is probably one of the most publicly accountable, coherent and fully implemented free trade agreements in the hemisphere. Uncertainty still prevails, however, in areas which are sensitive for many developing countries, particularly with respect to labor and environmental standards.

The accession clause, as it appears in NAFTA, is an expression of open regionalism, because accession is not geographically circumscribed to certain countries. This open accession clause helps protect NAFTA against the risk of becoming a closed trading bloc, thus reducing the inefficiencies generated by trade and investment diversion. It also allows nonmembers in principle to test the disposition of NAFTA members to practice open regionalism. However, while the accession clause is formally open, the

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<sup>3</sup> ECLAC (1994), Open Regionalism, *op. cit.*, pp. 25, 28.

procedures for application, acceptance and negotiation still have to be defined in order for NAFTA to become an effective vehicle for hemispheric integration.

There is agreement that few countries of the hemisphere are now in a condition to comply immediately with all existing disciplines of NAFTA. Given the heterogeneous levels of development in the region, a meaningful inclusive process of full hemispheric accession to NAFTA would demand flexible transitional arrangements. In practice, NAFTA already includes different calendars of execution adapted to particular cases and limited exceptions required by each negotiating partner. It also includes financing for trade adjustment and environmental infrastructure through the North American Development Bank (NADBANK).

In any case, multilateral trade liberalization through NAFTA accession will require committed political leadership, since the process promises to be lengthy and protracted. Leadership will require, *inter alia*, agreement among the NAFTA partners on the details of the open accession process. Moreover, given the importance of the United States, the executive branch of that country will need some form of "fast track" negotiating authorization from Congress.

### **II-B.2. A Framework for Hemispheric Trade Negotiations**

While accession to major subregional market accords will remain a major force in the drive for hemispheric free trade, the overall process can be strengthened and complemented by a mechanism which multilateralizes free trade benefits among existing subregional accords, such as NAFTA, MERCOSUR, CACM, the Andean Pact, CARICOM, and others. Indeed, a decision to establish such a mechanism could be one of the consensual initiatives at the December Summit meeting. This initiative could include the following components:

- i) Summit participants would declare a collective commitment to construct a hemispheric free trade area.
- ii) A target date could be set--for example the year 2000--to complete formal multilateral negotiations.
- iii) Summit participants would agree that the widening and deepening of subregional accords could serve as effective building blocks for hemispheric free trade.
- iv) It could also be agreed that a key minimum objective of hemispheric liberalization is multilateralization of basic free trade benefits and common minimum standards governing sensitive trade-related areas across all accords in the hemisphere. Some of these areas include intellectual property rights, development and adjustment assistance, financial services and regulation, labor and the environment. The trade

benefits and standards would apply to all subregional and bilateral accords throughout the hemisphere within a period of transition to be established by subsequent negotiations.

v) To give credibility and momentum to the initiative, the summit would announce as an integral part of the overall agreement a commitment to establish annual trade ministerial meetings, with preparatory subministerial meetings, to discuss and eventually agree upon:

- Mutually acceptable and specific mechanisms, rules, procedures and principles to underline the negotiation of the multilateralization of free trade in the hemisphere;
- Additional common interim principles to guide future deepening and widening of all existing subregional and bilateral agreements, in order to ease or avoid obstacles to the construction of a common path of convergence to a WHFTA.

vi) The summit would identify an official and formally organized forum for the ministerial meetings which could be, for example, the OAS Special Committee on Trade, with technical support provided by other hemispheric multilateral agencies such as the IDB and ECLAC. In this way, the premature establishment of institutional structures, which may not be the most appropriate in the long term, could be avoided.

Existing and any new subregional and regional secretariats and institutions would be encouraged to work with the hemispheric multilateral organizations to ensure that deepening of subregional accords and institutions would be compatible with hemispheric liberalization and open regionalism.

vii) The IDB and the NADBANK would be called upon to redouble their human and financial resource support for investments linked to integration and trade, with special attention to the sensitive areas of trade-related adjustment, environment, and infrastructure. As an incentive to a coordinated deepening and convergence of trade agreements, priority financing could be given to countries and subregional agreements which were in compliance with the interim guidelines that would eventually emerge out of the annual ministerial meetings mentioned above. The IDB funds would be allocated to all LAC countries while the United States, Canada, and Mexico would access NADBANK financing.

This mechanism has a number of potential advantages. First, it is centered on a principle on which all governments can probably agree: the desirability of an eventual

free trade area in the hemisphere. Another consideration is that such an agreement would not be restricted by current trade commitments and political uncertainties, since the difficult details and principles regarding the "how" and "when" to achieve a WHFTA are backloaded to a period after the summit. This is an important consideration since many countries are not yet ready to decide on the exact course of hemispheric integration or the structure of negotiations, and indeed may even disagree on important points. The initiative, however, is inclusive in the sense that all countries can actively participate (or be represented by a subregional group) and help shape their precise path of convergence into the agreed free trade area.

The backloaded free trade commitment is nevertheless not an empty one because it is given substance by the auxiliary commitment to accept the discipline of regular organized ministerial and subministerial meetings in an official forum such as the OAS. With the support of the IDB and ECLAC, the OAS could monitor, prod ahead, and technically support the process of achieving mutual extension of basic free trade benefits. Indeed, a summit agreement of this type would have the tangible result of moving forward the hemispheric trade agenda during a critical juncture.

Another consideration is that the interim as well as definitive processes and mechanisms for convergence will be defined multilaterally. This will facilitate the emergence of a fresh agenda that could phase in free trade and related disciplines in such areas as intellectual property rights, environment, and labor in a flexible way that could accommodate trade-offs and customized country-by-country schedules for sequencing and implementation. Such a multilateral process would moreover make all governments feel a larger sense of ownership regarding agreed standards in these sensitive areas and would also facilitate financing assistance from international institutions.

An agreement along these lines would also build on existing progress in subregional integration, which has been partly responsible for an impressive growth of exports and deepening "pro-market" liberalization of economies. The agreement would be politically realistic since it is consistent with countries pursuing their own immediate interests, whether by attempting to individually or subregionally accede to NAFTA, signing a bilateral or plurilateral reciprocal or nonreciprocal trade accord, or participating in a deepening of an existing subregional accord. The agreement only asks governments to commit to discussing a way to establish a set of common interim principles and rules to ensure that trade agreements evolve in a direction consistent with open regionalism, eventual hemispheric convergence and an open multilateral trading system.

A summit agreement of this type would allow leadership to be exercised in a multilateral forum where responsibilities and costs can be shared in a mutually agreed upon way, thereby enhancing the catalytic impact on hemispheric free trade with more predictable and enduring results. Indeed, this approach is consistent with the post Cold War trend to use multilateral forums for resolving issues of common concern.

Finally, since this mechanism is a relatively new concept for a hemispheric discussion that includes a large number of countries, it will require the cooperation of all. To the extent that free trade agreements promote hemispheric trade liberalization and take into account the different abilities and possible paths to achieve it, procrastination might be the exception rather than the rule. The free trade leadership and example of the NAFTA partners regarding open regionalism also represents a new potential catalyst to drive commitments forward.