The Changing Coordinates of Trade and Power in Latin America

Implications for Policy Space and Policy Coherence

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Acronyms

AA	Association Agreement
ACE	Acuerdo de Complementación Económica *(Economic Complementarity Agreement)*
ALADI	Asociación Latinoamericana de Integración *(Latin American Integration Association)*
ALALC	Asociación Latinoamericana de Libre Comercio *(Latin American Free Trade Association)*
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América *(Bolivarian Alliance for the Peoples of Our America)*
ALCA	Área de Libre Comercio de las Américas *(Free Trade Agreement of the Americas)*
AMNLAE	Asociación de Mujeres Nicaragüenses Luisa Amanda Espinoza *(Luisa Amanda Espinoza Association of Nicaraguan Women)*
ANIFODA	Asociación Nicaragüense de Formuladores y Distribuidores Agroquímicos *(Nicaraguan Association of Manufacturers and Distributors of Agrochemicals)*
APEC	Asia-Pacific Economic Cooperation
ASC	Alianza Social Continental *(Hemispheric Social Alliance)*
ASEXMA	Asociación de Exportadores de Manufacturas y Servicios *(Association of Exporters of Manufactured Goods and Services)*
ATC	Asociación de Trabajadores del Campo *(Rural Workers' Association)*
ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Promotion and Drug Eradication Act
BAC	Banco de América Central *(Central American Bank)*
BANADES	Banco Nacional de Desarrollo *(National Development Bank)*
BANCENTRO	Banco de Crédito Centroamericano *(Central American Credit Bank)*
BANPRO	Banco de la Producción
BDF	Banco de Finanzas
BNDES	Banco Nacional de Desenvolvimiento Econômico e Social *(Brazilian Economic and Social Development Bank)*
BRICs	Brazil, Russia, India, China
CAC	Consejo Agropecuario Centroamericano *(Central American Agricultural Council)*
CAMEX	Chamber of External Trade, Brazil
CAN	Comunidad Andina *(Andean Community)*
CBI	Caribbean Basin Initiative
CBRA	Caribbean Basin Recovery Act
CCS	Cámara de Comercio de Santiago *(Santiago Chamber of Commerce)*
CCSCS	Coordinadora de Centrales Sindicales del Cono Sur *(Coordinating Group of Union Centres of the Southern Cone)*
CEES	Comité de Empresas Exportadoras de Software y Servicios *(Committee of Software and Service Exporting Firms)*
CENIDH	Centro Nicaragüense de Derechos Humanos *(Nicaraguan Centre for Human Rights)*
CIPCA	Centro de Investigación y Promoción del Campesinado *(Centre for Peasants' Research and Development)*
CMG	Common Market Group
CONALCAM	Coordinadora Nacional por el Cambio *(National Coordination for Change)*
CONALDE	Consejo Nacional Democrático *(National Democratic Council)*
CONLUTAS	Coordenação Nacional de Lutas *(National Struggles Coordination)*
CORFO	Corporación de Fomento de la Producción *(Production Development Corporation)*
COSEP	Consejo Superior de la Empresa Privada *(Supreme Council for the Private Sector)*
CST–JBE	Central Sandinista de Trabajadores–José Benito Escobar *(Sandinista Workers' Centre–José Benito Escobar)*
CUT	Central Unica dos Trabalhadores *(Central Workers' Union)*
DDA	Doha Development Agenda
DEA	US Drug Enforcement Agency
DEIS	Desarrollo Exportador con Inclusión Social *(Export Development with Social Inclusion)*
DIRECON	Dirección General de Relaciones Económicas Internacionales *(General Directorate for International Economic Affairs)*
DR–CAFTA	Dominican Republic–Central American Free Trade Agreement
ECLAC	Economic Commission for Latin America and the Caribbean
ESCF	Economic-Social Consultative Forum
EU	European Union
EZLN	Ejército Zapatista de Liberación Nacional *(Zapatista Army for National Liberation)*
FCEM	Fondo de Convergencia Estructural del MERCOSUR *(Fund for Structural Convergence of MERCOSUR)*
FDI	foreign direct investment
FEDSALUD	Federación de los Trabajadores de la Salud *(Health Workers' Federation)*

FENACOOP	Federación Nacional de Cooperativas Agrícolas y Agroindustriales *(Nacional Federation of Agricultural and Agroindustrial Cooperatives)*
FSLN	Frente Sandinista de Liberación Nacional *(Sandinista National Liberation Front)*
FTA	Free Trade Agreement
FTAA	Free Trade Agreement of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IBCE	Instituto Boliviano de Comercio Exterior *(Bolivian Institute for International Trade)*
ICTSD	International Centre for Trade and Sustainable Development
IFI	international financial institution
IHEID	Institut de hautes études internationales et du développement *(Graduate Institute of International and Development Studies)*
IMF	International Monetary Fund
Iniciativa CID	Iniciativa Mesoamericana de Comercio, Integración y Desarrollo *(Mesoamerican Initiative for Trade, Integration and Development)*
IPR	intellectual property right
ISI	Import Substitution Industrialization
IUED	Institut Universitaire d'Etudes du Développement
LAC	Latin America and the Caribbean
MAI	Multilateral Agreement on Investment
MAS	Movimiento al socialismo *(Movement Toward Socialism)*
MERCOSUR	Mercado Común del Sur *(Southern Common Market)*
MFN	most favoured nation
MRS	Movimiento de Renovación Sandinista *(Sandinista Renovation Movement)*
MST	Movimento dos Trabalhadores Rurais sem Terra *(Landless Workers' Movement)*
NAFTA	North American Free Trade Agreement
NEM	New Economic Model
NGO	non-governmental organization
NPE	Nueva Política Económica *(New Economic Policy)*
ODA	Official Development Assistance
PDRR	Programa Dialogo Regional Rural *(Regional Rural Dialogue Programme)*
PDVSA	Petróleos de Venezuela
PND	Plan Nacional de Desarrollo *(National Development Plan)*
PPE	Proyectos de Promoción de Exportaciones *(Export Promotion Projects)*
PPP	purchasing power parity
PROCHILE	Programa de Fomento a las Exportaciones Chilenas *(Chilean Export Promotion Bureau)*
PROFOS	Proyectos Asociativos de Fomento *(Associative Promotion Projects)*
PSDB	Partido da Social Democracia Brasileira *(Brazilian Social Democracy Party)*
PT	Partido do Trabalho *(Workers' Party)*
REAF	Reunión Especializada sobre Agricultura Familiar *(Specialized Meeting on Family Farming)*
REM	Reunión Especializada de la Mujer *(Specialized Meeting of Women)*
S&DT	special and differentiated treatment
SAT	Sector de Asesoría Técnica *(Technical Advisory Service)*
SEP	Strategic Economic Partnership
SME	small and medium enterprise
SNA	Sociedad Nacional de Agricultura *(National Society of Agriculture)*
SOFOFA	Sociedad de Fomento Fabril *(Federation of Chilean Industry)*
SPP	Security and Prosperity Partnership
TCP	Tratado de Comercio de los Pueblos *(People's Trade Agreement)*
TNC	transnational corporation
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNAG	Unión Nacional de Agricultores y Ganaderos *(National Union of Farmers and Ranchers)*
UNASUR	Unión de Naciones Sudamericanas *(Union of South American Nations)*
UNCTAD	United Nations Conference on Trade and Development
UNE	União Nacional dos Estudantes *(Students' National Union)*
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
WSF	World Social Forum
WTO	World Trade Organization

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Summary/Résumé/Resumen

Summary

The classical coordinates of trade and development in Latin America, which centred on the trade liberalization versus protectionism dichotomy, have changed significantly during the past decade. Instead, a complicated cartography of trade regimes and processes of regional integration has emerged. This paper examines the political and economic context and factors that explain this shift, paying particular attention to the failings of orthodox neoliberalism, the so-called turn to the Left via electoral politics, and the rise of non-state actors in influencing the policy process. It also considers the implications of changes in trade and regional integration policy, as well as in power relations, for inclusive development.

Part I examines how the changing ideational and structural conditions in Latin America are pushing beyond the classical debate concerning trade and development in the region. It maps out the variety of trade regimes that have come to the fore and conceptualizes the role of non-state actors in this new landscape. As a basis for examining the implications of contemporary trade and regional integration policy for inclusive development—which follows in Part II—this section also introduces the discussion of "policy space" and "policy coherence": two principles that have gained currency in international knowledge networks as being crucial features of policy processes conducive to inclusive development. Against the backdrop of neoliberal policies that were reinforced through donor conditionality and that initially marginalized social policy, the term "policy space" refers to the ability of governments to craft strategies and policies that are in tune with national development priorities, while "policy coherence" is taken here to refer to economic and social policies that are complementary and conducive to inclusive development.

Part II contains case studies of Bolivia, Brazil, Chile and Nicaragua that examine the dynamics of trade and development policy and policy making, and reflect on their implications for policy coherence and policy space. While these case studies reveal considerable variations in the application of neoliberalism at the country level, they illustrate the ideological decline of the Washington consensus in Latin America, the gradual comeback of the state in development strategy, and an increasing demand from civil society actors for redistributive policies that can translate economic growth into tangible development benefits and poverty eradication.

These changes are consistent with the turn to the Left. It is important, however, to nuance such a characterization. While contemporary strategies not only combine market and developmentalist approaches, the characterization of "two Lefts" in Latin America—exemplified by the moderate Chilean Concertación and the government of Evo Morales in Bolivia—is losing its heuristic power in relation to trade regimes. By weaving together free trade agreements and different regional initiatives centred on a variety of South-South relations, Latin American countries are pushing beyond the bipolar trade logic implicit in this characterization.

Democratization has fostered hybrid models whereby countries in the region accept the reality of economic liberalization, which is enshrined in conventional trade agreements, but also look to alternative institutional and policy arrangements to minimize the contradictory effects of economic liberalization and promote more inclusive patterns of development. Such complementarities are apparent in various policy arenas, including the strengthening of some features of the developmental welfare state and regional and national social policy, as well as South-South cooperation.

Averse to the asymmetries of multilateralism, Bolivia is attempting to combine the alter-globalization model of the Bolivarian Alliance for the Peoples of Our America (ALBA) with the more orthodox South-South integration schemes of the Andean Community (CAN) and the Southern Common Market (MERCOSUR). Brazil combines multilateralism with an attempt to

pursue regionalism through MERCOSUR, which is not only an economic, but also a political and social project. In the case of Chile, the strategy of simply expanding the number of free trade agreements worldwide appears to be reaching its limits, with the country having to look to regional integration in order to secure conditions for economic and social development. Nicaragua, like Bolivia, is pursuing an unusual hybrid—"CAFTALBA"—seeking complementarity by combining a free trade agreement with the United States (the Dominican Republic–Central America Free Trade Agreement/DR–CAFTA) with South-South integration in ALBA.

Discursively and conceptually such arrangements seem to bode well for policy space and certain dimensions of policy coherence. However, various structural, institutional and political constraints are apparent. In Bolivia there has been an attempt to increase the government's policy space and achieve greater coherence between the normative vision of alter-globalization (ALBA) and the export-oriented growth possibilities of conventional liberalization (CAN and MERCOSUR). The country's small economy and its history of instability are serious impediments to this ambitious new developmentalist project. To achieve its trade and development objectives, the Morales administration must successfully negotiate an increasingly complex and volatile "two-level game" between, on the one hand, polarized domestic business and civil society actors, and, on the other hand, polarized visions of trade within CAN.

In Brazil, the technocracy, a resurgent parliament and electoral competition have played an important role in relation to policy space and coherence. But organized business interests, historically quite fragmented, are mobilizing, uniting and lobbying to greater effect. This development may serve to moderate rent-seeking demands, but it also suggests certain limits to the strengthening of the normative and regulatory framework for inclusive development, particularly in a context where those sectors of civil society—or countervailing powers—that are supportive of more inclusive patterns of development (such as social movements) remain fragmented.

Chile confronts the challenge of not only having to manage constraints on policy space that are locked in through numerous free trade agreements, but also those that give the political allies of neoliberalism and big business undue weight in the legal and policy process. In Nicaragua, the ideological melange inherent in DR–CAFTA and integration in ALBA illustrates the unconventional paths to trade and integration that are currently emerging in Latin America. DR–CAFTA locks in certain constraints on policy space and its distributional effects favour very specific sectors of business. By emphasizing principles of solidarity and equity both within and between countries, policy space and the balancing of economic and social dimensions of development have become the central objectives of ALBA although, in practice, various questions have arisen with regard to governance and sustainability.

Latin America is once again embarked on a transition that could have major implications for economic and social development. The current diversity of trade and development regimes, institutional developments related to subregional integration, and South-South cooperation yield a complex mix of opportunities and constraints vis-à-vis policy space and policy coherence. Various aspects of the evolving policy regimes appear to help promote inclusive development However, tensions that perpetuate the region's historical syndrome of institutional ruptures are never far from the surface.

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Résumé

Les coordonnées classiques du commerce et du développement en Amérique latine, qui étaient centrées sur la dichotomie "libéralisation du commerce" contre "protectionnisme", ont considérablement évolué depuis dix ans. A leur place, on a vu apparaître une cartographie compliquée de régimes commerciaux et de processus d'intégration régionale. Dans le présent document, les auteurs examinent le contexte et les facteurs politiques et économiques qui expliquent cette évolution, en accordant une attention particulière aux faiblesses du néolibéralisme orthodoxe, au virage à gauche constaté aux élections, et à l'influence croissante d'acteurs non étatiques sur les politiques. Ils se penchent aussi sur les conséquences des changements de la politique menée en matière de commerce et d'intégration régionale et des rapports de force pour un développement solidaire.

La première partie est une interrogation sur la manière dont l'évolution des conditions structurelles et intellectuelles en Amérique latine élargit le débat classique sur le commerce et le développement dans la région. Elle fait ressortir la diversité des régimes commerciaux et conceptualise le rôle d'acteurs non étatiques dans ce nouveau paysage. Jetant les bases de la deuxième partie, dans laquelle ils examinent les conséquences des politiques actuellement menées en matière de commerce et d'intégration régionale pour un développement solidaire, les auteurs introduisent dans cette section les notions de "marge de manœuvre politique" et de "cohérence des politiques", ingrédients que les réseaux internationaux du savoir jugent désormais essentiels à l'obtention de politiques favorables à un développement solidaire. Dans un contexte général où les conditions imposées par les donateurs ont durci les politiques néolibérales et où la politique sociale a été initialement mise à l'écart, l'expression de "marge de manœuvre politique" désigne la capacité des gouvernements de définir des stratégies et des politiques en harmonie avec les priorités du développement national, tandis que la "cohérence des politiques" s'entend de politiques économiques et sociales qui sont complémentaires et mettent sur la voie d'un développement solidaire.

La deuxième partie rassemble des études de cas de la Bolivie, du Brésil, du Chili et du Nicaragua. Celles-ci portent sur les interactions entre commerce et développement selon les politiques suivies et tirent les conséquences qui s'imposent pour la cohérence des politiques et la marge de manœuvre politique. Si elles révèlent une application très variable du néolibéralisme selon les pays, elles illustrent le déclin idéologique du consensus de Washington en Amérique latine, l'amorce d'un retour de l'Etat dans la stratégie de développement, et une aspiration croissante d'acteurs de la société civile à des politiques de redistribution capables de traduire la croissance économique en gains tangibles pour le développement et en un vrai recul de la pauvreté.

Ces changements sont bien dans le prolongement du virage à gauche. Il est important, cependant, de nuancer cette expression. Si les stratégies contemporaines n'associent pas seulement marché et développement, la distinction entre les "deux gauches" de l'Amérique latine—illustrées par la Concertación chilienne modérée et le gouvernement d'Evo Morales en Bolivie—perd de sa force heuristique lorsqu'il s'agit des régimes commerciaux. En mêlant intimement accords de libre-échange et initiatives régionales centrées sur divers modes de relations Sud-Sud, les pays d'Amérique latine font reculer les limites de la logique bipolaire implicite dans l'emploi du terme de "gauche".

La démocratisation a donné naissance à des modèles hybrides par lesquels les pays de la région acceptent la réalité de la libéralisation économique, qui est consacrée dans les accords commerciaux conventionnels, mais cherchent aussi d'autres mécanismes institutionnels et politiques pour en atténuer les effets contradictoires et encourager des modes de développement plus solidaires. Ces complémentarités sont visibles dans divers secteurs politiques, notamment dans le renforcement de certains traits de l'Etat providence développemental et de la politique sociale, régionale et nationale, ainsi que dans la coopération Sud-Sud.

Opposée à l'asymétrie du multilatéralisme, la Bolivie tente de combiner le modèle altermondialiste de l'Alliance bolivarienne pour les peuples de notre Amérique (ALBA) avec les régimes d'intégration Sud-Sud plus orthodoxes de la Communauté andine (CAN) et du Marché commun austral (MERCOSUR). Le Brésil combine multilatéralisme et régionalisme au travers du MERCOSUR, qui est un projet non seulement économique, mais aussi politique et social. Dans le cas du Chili, la stratégie consistant simplement à multiplier le nombre des accords de libre-échange dans le monde semble atteindre ses limites, puisque le pays doit chercher dans l'intégration régionale les conditions de son développement économique et social. Le Nicaragua, comme la Bolivie, suit un modèle exceptionnellement hybride, le "CAFTALBA", et recherche la complémentarité en associant un accord de libre-échange avec les Etats-Unis, (l'Accord de libre-échange entre l'Amérique centrale, la République dominicaine et les Etats-Unis – DR–CAFTA) et l'intégration Sud-Sud au sein de l'ALBA.

D'un point de vue discursif et conceptuel, ces mécanismes semblent être de bon augure pour la marge de manœuvre politique et, à certains égards, pour la cohérence des politiques. Cependant, diverses contraintes structurelles, institutionnelles et politiques sont manifestes. En Bolivie, le gouvernement a tenté d'élargir sa marge de manœuvre et de parvenir à une plus grande cohérence entre la vision normative de l'altermondialisation (ALBA) et les possibilités de croissance par les exportations qu'offre la libéralisation conventionnelle (la CAN et le MERCOSUR). La petitesse de l'économie du pays et son instabilité historique sont de sérieux obstacles à cet ambitieux projet de développement. Pour atteindre ses objectifs en matière de commerce et de développement, le gouvernement Morales doit réussir à mener à bien une "double négociation" de plus en plus complexe et incertaine entre, d'une part, les entreprises nationales et les acteurs de la société civile qui s'affrontent et, d'autre part, les visions contradictoires du commerce qui coexistent au sein de la CAN.

Au Brésil, la technocratie, un parlement en pleine renaissance et la concurrence électorale ont joué un rôle important au regard de la marge de manœuvre et de la cohérence des politiques. Mais des intérêts patronaux organisés, historiquement assez divisés, sont en train de se mobiliser, de s'unir et de faire pression avec quelque succès. Cette évolution peut avoir pour effet de modérer les exigences des activités d'influence mais laisse aussi à penser que le renforcement du cadre normatif et réglementaire du développement solidaire a ses limites, en particulier là où les secteurs de la société civile—ou les pouvoirs auxquels ils s'adossent—qui défendent des modes de développement solidaires (comme les mouvements sociaux) restent fragmentés.

Le Chili affronte la difficulté d'avoir non seulement à gérer les restrictions à sa marge de manœuvre qui sont inhérentes aux nombreux accords de libre-échange conclus mais aussi les contraintes qui donnent un poids excessif aux alliés politiques du néolibéralisme et aux grandes sociétés dans l'élaboration des lois et des politiques. Au Nicaragua, le métissage idéologique inhérent au DR–CAFTA et à l'intégration à l'ALBA illustre les chemins peu conventionnels qu'emprunte actuellement l'Amérique latine dans les domaines du commerce et de l'intégration. Le DR–CAFTA restreint la marge de manœuvre politique des Etats et ses effets distributifs favorisent des secteurs bien spécifiques de l'économie. En mettant l'accent sur les principes de solidarité et d'équité à l'intérieur des pays et entre eux, l'ALBA a fait de la marge de manœuvre politique et de l'équilibre entre les dimensions économique et sociale du développement des objectifs centraux, bien qu'en pratique se soient posées diverses questions de gouvernance et de viabilité.

L'Amérique latine amorce une fois de plus une transition qui pourrait avoir des conséquences majeures pour le développement économique et social. La diversité actuelle des régimes relatifs au commerce et au développement, l'évolution institutionnelle liée à l'intégration sous-régionale et la coopération Sud-Sud se traduisent par un entrelacs complexe de chances et d'entraves pour la marge de manœuvre politique et la cohérence des politiques. Les politiques qui se dessinent semblent, à divers égards, promouvoir un développement solidaire.

Cependant, les tensions qui perpétuent le syndrome historique de la région, celui des ruptures institutionnelles, ne sont jamais loin de la surface.

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Resumen

Las coordenadas clásicas del comercio y el desarrollo en América Latina, que se centraban en la dicotomía liberalización-proteccionismo, han cambiado considerablemente en los diez últimos años. Hoy se observa un complicado mapa de regímenes comerciales y procesos de integración regional. En este trabajo se analiza el contexto y los factores políticos y económicos que explican este cambio, con particular atención a las fallas del neoliberalismo ortodoxo, el llamado "giro a la izquierda" por medio de la política electoral y el surgimiento de actores no estatales y su incidencia en el proceso de formulación de políticas. También se abordan las implicaciones que para el desarrollo inclusivo tienen los cambios que se han producido en la política comercial, la integración regional y las relaciones de poder.

En la parte I del documento se examina la forma en que los cambios de las condiciones ideacionales y estructurales en América Latina están trascendiendo el debate clásico sobre el comercio y el desarrollo en la región. En esta parte se describe la variedad de regímenes comerciales que ocupan hoy la palestra y se conceptualiza el papel de los actores no estatales en este nuevo entorno. Esta sección, que sirve de base para el análisis de las implicaciones de las políticas contemporáneas de comercio e integración regional para el desarrollo inclusivo que se realiza en la parte II, sirve además de introducción al debate sobre los conceptos de "espacio de políticas" y "coherencia de políticas", dos principios que han ganado terreno en las redes internacionales de conocimiento como elementos esenciales de los procesos de política que buscan el desarrollo inclusivo. Ante el telón de fondo de las políticas neoliberales que se reforzaron con las condicionalidades de los donantes y que inicialmente marginaron la política social, el término "espacio de políticas" se refiere a la capacidad de los gobiernos para formular estrategias y políticas que estén a tono con las prioridades de desarrollo nacional, mientras que el término "coherencia de políticas" se define en este trabajo como las políticas económicas y sociales complementarias y conducentes al desarrollo inclusivo.

La parte II contiene los estudios de casos de Bolivia, Brasil, Chile y Nicaragua en los cuales se examina la dinámica de las políticas de comercio y desarrollo y su formulación, así como una reflexión sobre sus implicaciones para la coherencia y el espacio de políticas. Si bien estos estudios de caso presentan variaciones de envergadura en cuanto a la aplicación del neoliberalismo a nivel de cada país, ilustran al mismo tiempo el declive ideológico del Consenso de Washington en América Latina, el retorno del Estado a la estrategia de desarrollo y la creciente demanda de parte de actores de la sociedad civil a favor de la adopción de políticas redistributivas que puedan traducir el crecimiento económico en beneficios tangibles de desarrollo y erradicación de la pobreza.

Estos cambios son congruentes con el denominado "giro a la izquierda". No obstante, es importante matizar esta caracterización. Si bien las estrategias contemporáneas no solo combinan los enfoques de mercado y desarrollo, la caracterización de "dos izquierdas" en América Latina—ejemplificadas por la Concertación chilena de tendencia moderada, y el gobierno de Evo Morales en Bolivia—está perdiendo su poder heurístico respecto de los regímenes de comercio. Al entretejer tratados de libre comercio con diferentes iniciativas

regionales centradas en una gama de relaciones Sur-Sur, los países de América Latina están dejando atrás la lógica bipolar del comercio implícita en esta caracterización.

La democratización ha fomentado modelos híbridos en virtud de los cuales los países de la región aceptan la realidad de la liberalización económica, entronizada en los tratados comerciales convencionales, pero al mismo tiempo buscan otras opciones institucionales y de política a fin de reducir al mínimo los efectos contradictorios de la liberalización económica y promover la adopción de patrones más inclusivos de desarrollo. Estas complementariedades saltan a la vista en varios ámbitos de política, como el fortalecimiento de algunas características del Estado de bienestar desarrollista y la política social a nivel regional y nacional, así como la cooperación Sur-Sur.

Aversa a las asimetrías del multilateralismo, Bolivia está intentando combinar el modelo de altermundialización de la Alianza Bolivariana para los Pueblos de Nuestra América (ALBA) con los esquemas más ortodoxos de integración Sur-Sur representados en la Comunidad Andina (CAN) y el Mercado Común del Sur (MERCOSUR). El Brasil combina el multilateralismo con el intento de lograr el regionalismo a través del MERCOSUR, que es un proyecto no solo económico, sino también político y social. En el caso de Chile, la estrategia de la mera expansión del número de tratados de libre comercio a nivel mundial parece haber alcanzado sus límites, lo que obliga al país a recurrir a la integración regional para poder asegurar las condiciones apropiadas para el desarrollo económico y social. Nicaragua, al igual que Bolivia, aspira llevar adelante un híbrido poco usual—el "CAFTALBA"—para lograr la complementariedad mediante la combinación de un tratado de libre comercio con los Estados Unidos (el Tratado de Libre Comercio República Dominicana-Centroamérica, o DR-CAFTA) con la integración Sur-Sur por medio de la ALBA.

Conceptual y discursivamente, estos arreglos parecen ser un buen augurio para el espacio de políticas y ciertas dimensiones de la coherencia de políticas. Sin embargo, saltan a la vista varias limitaciones estructurales, institucionales y políticas. En Bolivia, se ha intentado aumentar el espacio de políticas del gobierno y lograr una mayor coherencia entre la visión normativa de la altermundialización (ALBA) y las posibilidades de crecimiento basado en las exportaciones que ofrece la liberalización convencional (CAN y MERCOSUR). La pequeña economía del país y su historia de inestabilidad son graves impedimentos para su nuevo y ambicioso proyecto desarrollista. Para lograr sus objetivos de comercio y desarrollo, el gobierno de Morales debe negociar un "juego de doble nivel" crecientemente complejo e inestable entre por una parte, la polarización interna de los actores empresariales y de la sociedad civil y, por la otra, las visiones polarizadas del comercio al interior de la CAN.

En el Brasil, la tecnocracia, el resurgimiento del parlamento y la contienda electoral han desempeñado un papel importante en relación con el espacio y la coherencia de políticas. Pero los intereses privados organizados, históricamente bastante fragmentados, están movilizándose, uniéndose y cabildeando con mayor eficacia y resultados. Esto puede contribuir a moderar la demanda rentista, pero también es señal de que existen ciertos límites al fortalecimiento del marco normativo y regulatorio para el desarrollo inclusivo, sobre todo en un contexto en el cual aquellos sectores de la sociedad civil—o poderes compensatorios—que respaldan la implantación de modelos de desarrollo más inclusivos permanecen fragmentados (como los movimientos sociales).

Chile enfrenta el doble desafío de tener que lidiar, por una parte, con las limitaciones que se han impuesto al espacio de las políticas en razón de sus numerosos tratados de libre comercio y, por la otra, con las restricciones que confieren a los aliados políticos del neoliberalismo y los grandes negocios un peso indebido en el proceso jurídico y de políticas. En Nicaragua, la mezcolanza ideológica inherente a la participación en el DR–CAFTA y la integración en la ALBA ilustra los senderos poco convencionales hacia el comercio y la integración que están abriéndose en América Latina. El DR–CAFTA impone ciertas limitaciones al espacio de políticas, y sus efectos sobre la distribución favorecen a sectores empresariales muy específicos.

Al enfatizar los principios de solidaridad y equidad tanto dentro de los países como entre ellos, el espacio de políticas y la nivelación de las dimensiones económica y social del desarrollo se han convertido en los objetivos fundamentales de la ALBA, si bien en la práctica han surgido varias interrogantes relativas a la gobernabilidad y la sostenibilidad.

América latina emprende nuevamente una transición que podría tener importantes implicaciones para el desarrollo social y económico. La diversidad actual de regímenes comerciales y de desarrollo, los eventos institucionales relacionados con la integración regional y la cooperación Sur-Sur conforman una compleja mezcla de oportunidades y limitaciones respeto del espacio y la coherencia de políticas. Varios aspectos de los regímenes de política en formación parecerían contribuir a promover el desarrollo inclusivo. Pero las tensiones que perpetúan el síndrome histórico de rupturas institucionales en la región permanecen siempre a flor de piel.

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Introduction

Scholars in the field of development have long been intrigued by the idiosyncrasies and trajectories of institutional and ideological change in Latin America. The region has been fertile ground for innovation, trial and error, having experienced pronounced swings from one model or strategy to another—from Import Substitution Industrialization (ISI) to neoliberalism; from dependency to regionalism; from authoritarianism and dictatorship to revolution and representative democracy. It has also been a fertile ground for social movements. More recently, in the context of democratization, this ideological and social dynamism has expressed itself in an apparent shift to the Left via electoral politics and new forms of civil society activism involving, among others, active fair trade and anti–free trade movements.[1] Concomitant with these developments have been a number of policy and strategic shifts associated with regional trade and cooperation, and greater adherence, at least discursively, to the principles of "policy space" and "policy coherence" as a means to counter conditionalities and policies that were seen as contradictory from the perspective of inclusive development.[2]

Areas of government policy particularly impacted by this situation involve trade and regional integration. However, rather than being monolithic, the resurgent Left offers a wide range of political positioning and rhetoric (for example, Michelle Bachelet in Chile, Luiz Inácio Lula da Silva in Brazil and Hugo Chávez in Venezuela), as well as ideologically and strategically contrasting trade and development policies: for example, the Dominican Republic–Central America Free Trade Agreement (DR–CAFTA), the Southern Common Market (MERCOSUR) and the Bolivarian Alliance for the Peoples of Our America (ALBA).[3]

The failures of the Washington consensus, the resurgence and reconfiguration of the Left, and the proliferation of non-state actors are altering the classical coordinates of trade and development in Latin America. The complicated cartography of trade regimes that has emerged in the region is a clear manifestation of this changing landscape. In an attempt to explore these shifting coordinates, a group of Latin American specialists conducted case studies of Bolivia, Brazil, Chile and Nicaragua under the project Negotiating Alternative Trade Regimes in Latin America. These studies put into sharp relief both the spaces that have opened up for progressive reform and the constraints that limit the scope for change.

Key research questions included the following: How are trade regimes changing in the context of the so-called post–Washington consensus and the apparent shift to the Left, be it associated with social democracy, populism or socialism? How much policy and negotiating space do developing countries have in regional trade negotiations involving developed countries? In the context of democratization and the rise of civil society, and in countries where an anti-free trade movement has emerged, how have these actors influenced public debate, government trade policy and negotiations? What is the relative weight and influence of civil society actors and networks associated with "alter-globalization" and organized business interests in trade negotiations? Can greater policy coherence and policy space—two principles generally considered to be crucial in policy processes conducive to inclusive development—be achieved through regional trade and integration agreements?

This paper is structured as follows: part I considers how the shifting frames of reference and changing structural conditions in Latin America are pushing beyond the classical debate concerning trade and development in the region. It maps out the variety of trade regimes that have come to the fore in the region, conceptualizes the role of non-state actors in this new

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1 In certain countries the shift to "the Left" in relation to party politics may be more apparent than real. While parties and leaders in power may identify with the term, its applicability is often highly contested, given the eclectic mix of policies, ideologies and alliances that are in evidence.

2 The term "inclusive development" is used here broadly to refer to policy regimes, governance arrangements and patterns of structural change that are conducive to social protection, equity, participation, environmental sustainability, economic growth and other conditions that generate what Amartya Sen (1999) refers to as the "capabilities" for well-being.

3 "Alternative" was replaced with "Alliance" during the VI Extraordinary ALBA Summit (Maracay, Venezuela) in June 2009.

landscape, and introduces the principles of policy space and policy coherence and their relationship to trade regimes globally and in the region. Part II contains case studies of Bolivia, Brazil, Chile and Nicaragua that examine the dynamics of trade and development policy and policy making, and reflect on their implications for policy coherence and policy space. A concluding section summarizes key findings.

Part I: Shifting Frames of Reference and Structural Change

The evolving nature of neoliberalism, the resurgence and reconfiguration of the Left, and the growing sway of non-state actors have transformed the coordinates of trade, development and power in Latin America. The classical trade liberalization versus protectionism debate has today become more nuanced concerning the new possibilities of the market and the degrees of free trade (Unger 2007). Indeed, it appears that market-oriented development and a reinvigorated role for national states are emerging as the overlapping consensus between transformed neoliberalism and the reconfigured Left.

The fundamental debate today concerns the contested nature of regional integration, that is, integration toward a common market that shares economic principles, and integration toward a community of nations that share socio-historical values. This debate relates to a new geopolitical dynamic in the region. It takes the form of a confrontation between, on the one hand, the so-called deep integration agenda associated with DR–CAFTA, the North American Free Trade Agreement (NAFTA), and the Security and Prosperity Partnership (SPP, also known as "NAFTA Plus") signed in 2005 by Canada, Mexico and the United States and, on the other hand, the new developmentalist and Bolivarian socialist projects as manifested by the energy alliance between Argentina, Bolivia and Venezuela, the Bank of the South and Telesur (Habel 2007).

For nearly five decades—from the Great Depression up until the late 1970s—the debate concerning trade and development in Latin America was marked by an antinomy: free trade versus protectionism, the market versus the state. Grounding itself in the neoclassical expressions of David Ricardo's principle of comparative advantage, such as the Heckscher-Ohlin model (Ohlin 1933) and the Stolper-Samuelson theorem (1941), as well as in the liberal theories of modernization as exemplified by Walt Whitman Rostow's "stages of economic growth" (1953, 1960), one side took conventional market-oriented economics as its frame of reference, arguing that trade liberalization, exemplified by the reduction of tariff and non-tariff barriers, was the high road to development. According to this school of thought there was a direct causality between trade liberalization, economic growth and development. This paradigm would eventually be institutionalized with the creation of the General Agreement on Tariffs and Trade (GATT) in 1947 and the World Economic Forum of 1971. In Latin America, this perspective underpinned the Asociación Latinoamericana de Libre Comercio (ALALC). The emergence of the World Trade Organization (WTO) during the Uruguay Round (1984–1994) would further cement this view.

On the other side of the debate, those who took as their point of reference the Marxian and Keynesian critiques of classical and neoclassical paradigms and grounded themselves on the Singer-Prebisch thesis, took issue with the supposed universality of the "laws" of the free market (Girvan 2006; Hirschman 1958). They argued that, in certain contexts, development required a more inward-looking approach, according to which the state should intervene by strategically protecting infant industries and substituting imports. From this view emerged the doctrine of ISI and the dependency theory that would inspire the policy prescriptions of countries such as Argentina, Brazil and Mexico. This perspective would serve as the point of departure for the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), as well as the United Nations Conference on Trade and Development (UNCTAD) (Bielschowsky 1998).

These were thus the terms of the classical debate concerning the role of trade in Latin American development. This antinomy was perpetuated by the bipolar system of the Cold War, and the intellectual and physical division of labour that existed between the industrialized countries of the North and the developing countries of the South (Wallerstein 1999). The changing socio-historical conditions and the development of economic and social theories would, however, soon transform this back and forth between free trade and protectionism, the market and the state.

By the 1970s, the poor track record of ISI–oriented policies and the recasting of neoclassical economics in the form of the monetarism of the Chicago School had began to tip the scale of the debate in favour of economic liberalization. But it was the politico-ideological "victory" of liberal-democratic capitalism marked by the end of the Cold War that sounded the death knell of dependency theory and inward-looking growth. Facilitated by the information technology revolution, new knowledge networks and the global restructuring of capitalism via foreign direct investment and global value chains, this ideological victory led to the radicalization of conventional free market economics.

In the context of the New World Order of the early 1990s, the debate concerning trade and development in Latin America was dominated by a neoliberal perspective promoted in particular by the United States treasury and leading international financial institutions (IFIs) that regarded trade liberalization as key for development. Reinforced by significant resource flows, conditionality and knowledge transfer, this so-called Washington consensus promoted the reduction of tariff and non-tariff barriers to trade; the liberalization of foreign direct investment (FDI); the promotion of exports; the rolling back of both the developmental and welfare state through the privatization of public enterprises and services; the curtailing of public spending and fiscal discipline; and the decline of industrial policy (Williamson 1990). This new climate was exemplified by Menemism in Argentina and Fujimorism in Peru, the election of business-oriented presidents in Central America and Mexico, as well as by the launching of negotiations for a multilateral Free Trade Area of the Americas (FTAA) at the 1994 Summit of the Americas in Miami.

Moreover, the Uruguay Round negotiations, which transformed GATT into the WTO, expanded the scope of international trade governance and strengthened neoliberalism during the first half of the 1990s. As a result of these negotiations, international trade was for the first time linked de jure to issues of intellectual property (Trade-Related Aspects of Intellectual Property Rights Agreement/TRIPS), services (General Agreement on Trade in Services/GATS), and investment (Trade-Related Investment Measures/TRIMs). The agreements signed in the context of the Uruguay Round indicated that legislation over biodiversity and public health issues, industrial policies and technological development, technology transfer, access to knowledge, the competitiveness of services, and the rights and obligations of foreign investors and host countries had now become subjects of multilaterally agreed international trade regimes and were no longer the exclusive realm of nation-states.

Yet, although the doctrine of neoliberalism radically changed certain policies and institutions, it confronted various obstacles and limits at the country level. This was apparent in two respects. First, ideas need to be transmitted to and embedded in national settings. While it is common to make regional generalizations, some of the literature on the spread of both economic and legal ideas in Latin America reveals that the extent to which, and the ways in which, ideas accumulate influence and displace others can vary significantly by country. Such variations reflect, in particular, differences in the nature of the epistemic community or knowledge and advocacy networks; the worldviews and training of technocrats and economists; path dependency; US hegemony; donor conditionality; and the correlation of social and political forces at the national level, including intra-elite power struggles or "palace wars". [4]

[4] Dezalay and Garth 2002; Fitzgerald and Thorp 2005; Ocampo 2006.

Not only were other international ideas or discourses, such as human rights and sustainable human development, jockeying for position (Stewart 2005), but alternative economic ideas associated with *desarrollismo* or "popular economics" continued to carry some weight in certain public institutions, such as ministries of agriculture or universities (Fitzgerald 2005). All of these factors and conditions meant that neoliberalism assumed different forms and followed different trajectories in different countries, and that the relative strength of the coalitions backing the doctrine also varied.

Second, the idea of neoliberal globalization as the "end of history" was short-lived (Fukuyama 1992). Symbolized by the rise in 1994 of the Ejército Zapatista de Liberación Nacional (EZLN) in Chiapas the day that NAFTA was enacted in Mexico, and by the 1999 Battle of Seattle against the WTO Ministerial Conference, signs of a "double movement" in the Polanyian sense, soon became apparent (Polanyi 1944). There was a social and political reaction to ongoing mass poverty, rising inequality and the so-called lost decade of the 1980s in Latin America (Birdsall and de la Torre 2001). Social contestation and the targeting of international financial institutions and transnational corporations intensified. Using the interconnectivity of the information technology revolution, an increasing number of "networks of networks", such as the Trade Justice Movement and the World Social Forum (WSF), began to mobilize against the free market fundamentalism of neoliberal globalization "from above".[5]

In parallel to this critique from below, developing country governments organized and mobilized within the multilateral process. Brazil, India and South Africa took the lead in forming what became the G20+, and another group of 33 developing countries also emerged. Polarized positions caused a series of institutional logjams at the heart of the WTO, centred on the Doha Development Agenda (DDA) and the agricultural subsidies and tariff and non-tariff protectionism of the United States and the European Union (EU).

Neoliberalism was being challenged not only by contestation and alternative ideas, but also by changes occurring in power relations. At the geopolitical level, US hegemony—both economic and discursive—showed some signs of weakening with the rise of the so-called BRICs (Brazil, Russia, India and China) and changes in the world's energy situation. These developments would have major implications for Latin American economies with the emergence of Brazil as a global player and an emboldened regional giant; the rise in commodity prices favouring Chile, Peru and many other primary export economies; and the surge in regional influence of oil producers like Venezuela. The legitimacy of neoliberal dogma was further undermined by the global financial crisis of 2008.

The critique of neoliberal globalization and the new geopolitical conjuncture took the form of a series of electoral victories of social democratic or more overtly Leftist parties and leaders throughout Latin America, including Hugo Chávez in Venezuela (1998), Luis Lula da Silva in Brazil (2003), Néstor Kirchner in Argentina (2003), Tabaré Vázquez in Uruguay (2005), Evo Morales in Bolivia (2006), Michelle Bachelet in Chile (2006), Manuel Zelaya in Honduras (2006),[6] Daniel Ortega in Nicaragua (2007), Rafael Correa in Ecuador (2007), Fernando Lugo in Paraguay (2008) and Mauricio Funes in El Salvador (2009).

This turn to the Left manifested itself regionally in and through various defeats for the Washington consensus. In relation to trade and regional integration, this was symbolized by the de facto suspension of the FTAA negotiations after the failure of the Mar del Plata summit in 2005; renewed momentum behind subregional trade and integration projects such as the Andean Community (CAN) and MERCOSUR, which combine South-South cooperation and free market principles in order to maximize the positive externalities of sociocultural integration; and the crystallization of an alternative regional initiative, ALBA, grounded

[5] Mejido Costoya 2007; Whitaker 2006; Falk 1999.

[6] Elected in 2005 as the candidate to the centrist Liberal Party, Zelaya made a surprising shift to the Left in 2007 and established relations with ALBA. A military coup in June 2009 ousted him from power.

conceptually on counter-hegemonic geopolitics and the social economic principle of solidarity. Furthermore, there was a reassertion of social policy and some institutions associated with the "developmental welfare state" (Riesco and Draibe 2007), as well as the proliferation of alter-globalization networks and protests.[7]

However, at the same time, the region has experienced a proliferation of bilateral and plurilateral free trade agreements, resulting in what has been called the "spaghetti bowl" of trade regimes (Abugattas 2004). NAFTA, DR–CAFTA and the Chile–US FTA are not only grounded on free market principles but also serve as the vehicle for a move from shallow integration (centred on tariff reductions to facilitate market access) to deep integration (that is, market access plus a variety of regulatory and institutional reforms) which aims to secure long-term conditions for free trade and FDI. It is this shift from the logic of the "old regionalism" that gravitated around the trade diversion versus trade creation debate (that is, the debate concerning whether regionalism serves as a "stepping stone or stumbling block" for globalism and multilateral agreements) toward the logic of the "new regionalism" that engages the endogenous growth possibilities of trade-productivity links and technological spillovers made possible by the information technology revolution, the restructuring of capitalism and the new globalized economy.

While the old regionalism was to some extent characterized by trade agreements between economies that shared similar features, the new regionalism has also involved trade agreements between developing and developed countries (Abugattas 2004). Deep integration within the framework of the new regionalism brings forth new possibilities and challenges for the countries of Latin America (UNCTAD 2007a). Deep integration in the form of free trade agreements offers developing countries greater market access to developed countries but demands that these countries take up commitments in intellectual property, investment, services and government procurement which go beyond those agreed upon at the WTO (Shadlen 2005; Sánchez-Ancochea and Shadlen 2008). As will be seen below in the discussion of policy space and policy coherence, this can have problematic implications for inclusive development.

The advocates of free trade in the North and South also turned to good governance. The good governance agenda, with its emphasis on transparency, dialogue, participation, anti-corruption and the rule of law aims to build and consolidate institutions conducive to investment, a level playing field, social capital and social stability. It is part of a post–Washington consensus that accepts that market liberalization requires competition or a regulatory state[8] (Braithwaite 2005), and that the regulatory function of non-state actors—business and civil society—can mitigate negative social effects through private standard-setting, monitoring, corporate self-regulation and voluntary initiatives associated with corporate social responsibility.[9]

The recasting of the debate on trade and development has seen many of those who trace their intellectual origins to the critique of conventional economics abandon the protectionist orthodoxy of ISI and dependency theory—most obviously, Fernando Enrique Cardoso, the former president of Brazil and author of seminal works on dependency in the 1970s. In an attempt to take advantage of the opportunities of economic globalization and the information technology revolution, they have turned toward a new model of export-oriented development grounded in the development of higher value-added primary and manufactured products. Besides attempting to go beyond the limits of the classic division of labour between centre and

[7] Dierckxsens 2008; Chomsky 2007, 2006a, 2006b; Houtart 2007; Castañeda and Morales 2007; Mejido Costoya 2006; Mouvements 2006; Sader 2006; Castañeda 2006; Laclau 2006; Touraine 2006; Ziegler 2005.

[8] The concept of the regulatory state refers to a post-Keynesian state that intervenes less in the economy, does "less rowing and more steering", does not simply deregulate but re-regulates to secure the competitive, coordinated and social conditions needed for effective privatization, commodification, trade and investment, and delegates certain regulatory responsibilities to private actors (Braithwaite 2005).

[9] Ffrench-Davis 2005; Stiglitz 1998; Utting 2005.

periphery, this "new developmentalism" understands the state as a facilitator of global insertion, competitiveness and coordination (Bresser-Pereira 2007).

This new context has recast the classical debate concerning trade and development in Latin America. The traditional antinomy—free trade versus protectionism, the market versus the state—has clearly waned in mainstream policy circles.[10] Some who trace their intellectual legacy to Prebisch and Gunder Frank have accepted the basic liberal principle of outward-looking growth, while others who trace their lineage to Friedman have come to accept the social "embeddeness" of markets. This general move toward convergence and complementarity that was supposed to push beyond zero-sum scenarios (such as, for example, globalism versus regionalism; protectionism versus export-orientation) was confirmed by ECLAC in the early 1990s with the principle of "open regionalism" (ECLAC 1994).

Box 1: The emergence of ALBA

ALBA has emerged as an alternative regional integration scheme to the FTAA, promoted by the United States (Sader 2007; Correa Flores 2005). Initially launched by Venezuela, ALBA expanded to include Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Honduras, Nicaragua, and Saint Vincent and the Grenadines. ALBA proposes a shift from the neoliberal paradigm of integration and economic growth to a model centred on "cooperation, poverty eradication, and social inclusion".* By acknowledging existing asymmetries and inequalities within and outside the Latin American region, ALBA proponents state that the model breaks from the notion of "competitive advantages" and, instead, proposes the notion of "cooperative advantages".

The concept of cooperative advantage rests on two main ideas: the inclusion of solidarity in international relations and the maintenance of national sovereignty. To address this notion further, ALBA entails the creation of regional compensatory funds. The allocation of funds follows social and economic goals with established implementation periods and review mechanisms for ALBA members. Economies need to be classified as "small" to be eligible.* A series of social and economic variables such as export structure, level of industrial development and external vulnerability are used to facilitate the identification of economies that need assistance in enhancing their productive and competitive capacities.* Furthermore, the assistance received by ALBA member countries should be targeted "to decrease internal disparities among national productive sectors, ensuring high levels of efficiency and transparency in the use of the funds."*

ALBA proponents argue that the model is geared to address structural conditions that cause regional and national economic and social disparities. Resources are to be directed to areas including credit, energy, communication, health, basic industries, food and water (Núñez 2007). Interventions in these areas are to be delivered or facilitated regionally by a state version of transnational corporations: the *grannacionales*. In theory, these corporations would defend national sovereignty by acting as a counterweight to the influence of transnational corporations (TNCs) in national and regional political decision making; strengthening state control in relation to private control of the "rules of the game"; protecting public services from privatization; allowing for technology transfer and the development of local technologies; and inhibiting capital flows toward the North as a result of profit repatriation.*

The grannacionales, though state-owned, would enter into partnerships and strategic alliances with business actors including small and medium enterprises. At the core, thus, ALBA proposes a return of the state into economic life (Rosales 2006). Furthermore, the notion of the state as a facilitator of the development process is challenged, and a more active role of the state is envisioned. However, its early implementation, particularly in Nicaragua, has given rise to various concerns related to its top-down character, and the lack of transparency and effective participation of certain actors.

* www.alternativabolivariana.org/modules.php?name=Content&pa=showpage&pid=2080, accessed in February 2010.

Non-state actors and the politics of trade

Having identified structural and ideational changes that have resulted in a more complex cartography of trade regimes in Latin America, the paper now examines the politics of trade in the context of the rise of certain non-state actors, in particular large corporations, business associations, non-governmental organizations (NGOs) and the alter-globalization movement. The growing voice of such actors in the policy and public arenas—in addition to that of

[10] Nation-states, however, are never homogenous, and differences in ideologies and policy approaches can be found within different ministries and departments (Fitzgerald 2005).

traditional non-state actors such as trade unions, and so-called old social movements such as labour—has been eroding the legitimacy of the traditional rational actor model in international studies and endogenous trade theory. According to the new political economy strand of analysis, the state plays a crucial role either as a self-interested actor or one whose policy positions reflect the correlation of competing interests (Meier 1991; Jones and Krueger 1990).

A country's foreign policy agenda is constituted by a centralized and integrated authority such as, for example, the president or the executive branch, that cognitively evaluate trade-offs. Drawing on the interest group theory of politics, Robert Putnam (1988) broadened this realist approach, suggesting that a country's international policy agenda was the result of the strategic interaction between interest groups and political actors in the domestic realm and the strategic interaction between governments in the international realm. Gene Grossman and Elhanan Helpman (2002) further developed this two-level logic and applied it specifically to the political economy of trade. The strength of the interest group approach is that it gives pride of place to a plurality of actors and conceptualizes the trade policy formation process as being constituted by these actors jockeying for power.

The shortcoming of this approach is that it is grounded on rational choice theory (the paradigmatic example of which is the quid pro quo of campaign contributions for political favours) which does little justice to questions of power asymmetries, clientelism, institutional over-determination or path dependence, as well as the multiplicity and interplay of factors associated with ideas, agency, structure and organization that shape policy. Such factors can undermine attempts to associate particular actors or groups with preferences and policy positions that correspond to particular interests (Schneider 2004).

Furthermore, the traditional analysis of trade politics is limited by the fact that non-state actors influence the formulation of trade policy through a variety of means, which include (i) influencing the trade policy process itself; (ii) corporate-self regulation and other forms of standard-setting or regulation by private actors; and (iii) influencing public opinion through the media and discursive struggle. Traditional approaches to the analysis of trade tend to focus on the trade formulation process itself, that is, on the way in which "official" actors, through well-established institutional channels and protocols, in the context of "official" negotiation spaces, constitute a trade policy, a trade agreement and the like. This suggests the need to complement political economy analysis with a more institutionalist and sociological approach.

Business influence

From the perspective of business actors—big business in particular—power and influence are exercised in multiple ways. This is captured by the analytical frame that refers to the structural, instrumental and discursive power of business (Fuchs 2005). The preferences of not only policy makers and technocrats, but also civil society organizations and public opinion, are influenced through these different forms of power, which is referred to below.

Structural Marxism (notably, Nicos Poulantzas) and a "business as capital" strand of political economy have long pointed out that nation-states are constrained in their policy choices by the need to cater to the long-term interests of a capitalist class that requires systemic and societal cohesion and equilibrium (Poulantzas 1973; van den Berg and Janoski 2005), and to avoid "exit" or capital strikes (Hirschman 1978, Maxfield and Schneider 1997). This means that in addition to instrumental power to influence the policy process or "agency" (Sell 2000), business also possesses significant structural power (Fuchs 2005).

In the context of contemporary Latin America, the issue of structural business power has become particularly pertinent. This is not only because of the strengthening of private enterprise in contexts of privatization and commodification, but also because of FDI. As Kevin Farnsworth has pointed out, some Latin American governments adopt policies based on assumptions about what business needs and wants. However, those assumptions often relate more to the needs and wants of foreign investors and transnational corporations than the more heterogeneous needs and demands of the wider business community and cooperative sector (Farnsworth 2007). Such biases may be more apparent in countries such as Bolivia where historically the national entrepreneurial class has been relatively weak.

Another dimension of structural power relates to de facto developments in the real economy that induce governments to play catch up through de jure institutional reforms. Crucial in this respect has been the reality of increasing intraregional trade and investment flows, and the fact that an important sector of national capital in various countries from Brazil to Nicaragua has developed considerable interests in neighbouring countries. The analysis of investment flows reveals that Latin American transnational corporations (TNCs) from countries such as Argentina, Brazil and Chile have far more affiliates in neighbouring countries than elsewhere in Latin America or the world (Daniels et al. 2007:45). Political developments associated with regional integration, particularly in relation to MERCOSUR, reflect this reality to some extent. Economic integration has brought forth a constituency of Latin American corporations with a definite interest in regional integration.

In relation to trade policy, the instrumental power of business is of course crucial. An influential school of thought has long argued that industry lobbying—guided by cost-benefit calculations about liberalization or protection—is the key determinant of trade policy decisions (Krueger 1997). Contemporary trade and investment agreements, however, appear to have both reinforced and changed the parameters of lobbying. As Woll and Artigas point out, classic "pressure lobbying" for or against tariff reduction and subsidies, has been joined by "regulatory lobbying", which is concerned with the large body of regulations and laws related to such aspects as investment, intellectual property and state procurement (Woll and Artigas 2007).

Given that the remit of trade agreements has expanded, business must attempt to gain influence not only by providing incentives to parties and politicians, drawing on social capital or arguing forcefully for or against tariff levels, but also through the provision of expertise. Resource and knowledge-constrained governments from many developing countries place a high value on such expertise. As Tussie explains, "the complexity of [trade] issues virtually compels policy makers to seek out frames of reference and evidence for their policies. These frames of reference are cognitive maps that describe problems and map out reality; but they also have the power to create and shape realities" (Tussie 2009:1). Policy makers often engage with and favour those firms or industry associations that are seen to possess such knowledge and analytical capacity (Woll and Artigas 2007:132). Organized business interests are becoming increasingly adept at providing the type of information that trade policy officials want. As Botto explains:

> The great majority [of studies produced by business sectors] are economic impact studies that use the same analytical methodology and technical language as the negotiators. For these groups, knowledge is another lobbying instrument that can be used to uphold their offensive or defensive interests in the negotiations. Unlike traditional lobbying mechanisms, however, the management of information legitimates their positions relative to other nongovernmental actors—unions, NGOs, small and medium-sized enterprises—that take part in the negotiations with the government but that, unlike the traditional sectors, lack empirical data to support policies that are in line with their interests and outlooks (Botto 2010a: 14).

Questions, then, of who has the knowledge and expertise, and who participates in epistemic communities become essential in trade negotiations (Braithwaite and Drahos 2000). In the context of FTA agreements between Latin American and developed countries, firms in the dominant export sectors are, as Sánchez-Ancochea and Shadlen (2008:15) point out, "likely to be better informed, better organized, and more politically influential". Furthermore, policy makers in countries with a high export profile are likely to be particularly receptive to such information and advice (Sánchez-Ancochea and Shadlen 2008:13).

As noted above, the analysis of instrumental power should not assume that the preferences of business always relate to narrow or immediate economic interests. Large corporations, for example, are often involved in multiple sectors and affected by multiple policies. Since trade liberalization was often part of a broader package of neoliberal reforms (including for example, privatization), business interests that might potentially lose from free trade nevertheless supported neoliberal policy coalitions as a compromise solution, given that they could benefit from other measures (Schneider 2004).

The discursive power of business actors, that is, the ability to influence opinion and frame agendas through discourse and the struggle of ideas and values, is another crucial dimension of business power. Through new discourses such as corporate social responsibility or ethical trade, large corporations and business associations have projected an image of the caring corporation or "corporate citizenship", which is aligned with the notion referred to above of the need for markets to be socially embedded. The substance and authenticity of this approach is a hotly debated topic and will not be addressed here; suffice it to say that from a political perspective it can have multiple logics, ranging from (i) attempts to placate or co-opt opposition through window-dressing or minor adjustments in corporate practice to (ii) more meaningful changes in relations with workers, communities, suppliers and consumers. Underpinning such changes may be multiple logics. They can be motivated, for example, by perceptions related to competitive advantage and risk management; normative values; and/or they can be seen as part and parcel of a hegemonic project, in the Gramscian sense, where elites attempt to gain legitimacy and reinforce their dominant position through consensus politics and by exercising intellectual, moral and cultural leadership (Levy 1997; Utting 2000).

Civil society influence

While trade and regional integration policy making has traditionally been a top-down process involving national governments and certain business interests, civil society actors have increasingly played a role. This reflects not only the proliferation and deepening of civil society in contexts of democratization, but also the institutional and discursive spaces for engagement and contestation that have emerged with the application of the "good governance" agenda, as well as with specific trade initiatives such as MERCOSUR, NAFTA, DR–CAFTA and the FTAA. As Jelin points out, such areas of engagement may be in a variety of arenas of social action and dialogue, not necessarily inside the official channels of negotiation. While negotiations of trade and regional integration policies have focused heavily on material costs and benefits of immediate interest to governments and business, they also include a social and cultural dimension, reflected in notions of regional identity, South-South cooperation, brotherhood, solidarity, common destiny and (in)dependence and autonomy vis-à-vis the United States, that resonate with many civil society actors and social movements (Jelin 1999:38–39).

The increasing sway of civil society actors and social movements is also associated with the information technology revolution and a response to the restructuring of capitalism and the rolling back of certain state functions and capacities. In the context of Latin America, it feeds off the rich history of contestation and activism that has been a product of oppression, inequality and radical thinking. The social history of Latin America in the twentieth century assigns a prominent role to "old social movements", such as labour and peasants, and, subsequently, the rise of "new social movements" concerned with issues such as democracy, the environment, and women's and indigenous rights. It was also enriched by groups calling for non-capitalist paths or alter-globalization, manifested, for example, by the Base Ecclesial Communities of liberation theology, the redistributive land reforms of the Cuban and Sandinista Revolutions, the networks of cooperative organizations south of the Biobío river in Chile, the WSF and the ethno-nationalist project of the EZLN.[11]

[11] For analysis of these movements see Hopenhayn (2005); Larraín (2005a); Hagopian and Mainwaring (2005); Devés Valdés (2000-2004); Garcia Canclini (2002); Galeano (2000).

There are several contrasting explanations for the proliferation of non-state actors. According to one perspective, the rise of these actors points to a legitimation crisis of neoliberal globalization. This view emphasizes the emancipatory role of a growing autonomous civil society that came to the fore in the 1980s to critique authoritarianism in regions such as the Southern Cone of Latin America and the Eastern bloc countries of Europe, and which later targeted the market fundamentalism of neoliberalism. In this context, not only are certain civil society actors—who are concerned with an array of issues to do with social justice—mobilizing from below, but international organizations, donor agencies and elites are also mobilizing from above, promoting, for example, good governance, decentralization, poverty reduction, sustainable development, and the delegation of regulatory authority and service delivery functions to non-state actors. This crisis has altered the political opportunity structures, which partly explains why NGO advocacy and social movements gain traction in public and political debate and policy influence (della Porta and Diani 2006; Sell and Prakash 2004).

Such opportunity structures have also altered in the context of the "shift to the Left" in the region (Newell and Tussie 2006).

Others are more sceptical of the emancipatory role of civil society, suggesting that the rise of non-state actors is conducive to the legitimation of neoliberal globalization. This is apparent in various respects. The discourse on civil society and practices that shift responsibility for social provisioning and regulation from the public sector to the voluntary associations of the third sector are seen as compatible with a neoliberal strategy that seeks to roll back the state. Similarly, the collaboration of sectors of civil society with big business to promote corporate social responsibility is critiqued as aiding and abetting a strategy deployed by business actors to negotiate or deflect the growing "social consciousness" of consumers and citizens. Furthermore, the "NGOization" of civil society, through which NGOs focus heavily on service delivery, may undercut the emancipatory potential of civil society through their use of bureaucratic power and money, as well as their ties to the political and economic subsystems that they are attempting to critique. Internally—that is within civil society—NGOization manifests itself as the instrumentalization of grassroots social movements by, for example, transnational NGOs from the North. Externally, NGOization manifests itself as the instrumentalization of NGOs by state and economic actors as a way of exerting control over the increasingly important social realm of civil society.[12]

While there are important points of convergence and complementarity between the rise of civil society and neoliberalism, the vastness and heterogeneity of "civil society" is such that very different perspectives on social change and development strategy exist. The information technology revolution and new thinking about the dynamics of social learning, mobilization and change have enabled new forms of activism involving a plurality of networked actors or stakeholders that connect nationally, regionally and internationally. In Latin America, this is symbolized most explicitly by the WSF, the annual event that brings together numerous groups that consider themselves part of—or identify with—the alter-globalization movement. Initiated, and often subsequently held, in Porto Alegre, Brazil, the WSF saw participation increase from 20,000 to 155,000 between 2001 and 2005 (Ghimire 2005:3). Trade issues have figured prominently on the WSF agenda, as they do on the alter-globalization agenda more generally. Indeed, an extensive survey of WSF participants in both Genoa and Porto Alegre in 2002, as well as of other activists and NGOs, found that trade ranked fourth in terms of campaign themes prioritized by participants and NGOs.[13]

The potency of the anti-free trade movement in Latin America derives from two key factors that characterize the evolution of the social movements' activism under globalization. The first relates to the capacity to form broad-based coalitions of actors and organizations around

[12] Mejido Costoya 2009; Petras 1997; Jad 2007.

[13] The top three themes were peace and human rights, children's rights and development. See Pianta and Silva (2003:40), cited in Ghimire (2005:5).

particular themes. Myriad social actors, organizations and movements associated with a variety of causes had come together nationally and regionally. By 2007 in Argentina, for example, 107 civil society actors constituted the "No al ALCA" movement which had expanded since 2001 to oppose the FTAA (Área de Libre Comercio de las Américas/ALCA in Spanish). They included primarily student/academic associations, political parties, trade unions and community groups, but also human rights, environmental and feminist organizations, along with many others (Mejido Costoya 2007:28). Second, through interconnectivity and the increasing professionalism of NGOs, contestation is channelled into more structured campaigns that establish concrete goals and strategies to resist and exert influence.

The subsequent disruption to the formal FTAA negotiation can be partly attributed to this popular mobilization. But, as also occurred in the case of the Multilateral Agreement on Investment (MAI), civil society reinforced the hand of policy makers who had their own concerns. In the case of FTAA, Brazilian negotiators saw the potential distribution of gains from the market access pillar as heavily skewed against their interests, and overly restrictive of policy space:

> We had—and still have—an overriding interest in avoiding a Hemispheric disciplining of specific areas that would limit our ability to formulate and implement public policies in our interest. The Uruguay Round left us with the lesson…that we cannot accept commitments that limit the liberty of each country to act in fundamental areas…for example, patent policy and public health…and the policy of incentives and offsets to the installation of foreign firms in the country (Bahadian and Carvalho Lyrio 2008:207).

The diversity of the No al ALCA movement, as well as the tendency to attach considerable priority to "a protest agenda of negation" (Mejido Costoya 2007), would also provide propitious circumstances for subsequent demobilization. Consequently, when the momentum behind the FTAA negotiations declined in 2004, following intergovernmental disagreements, so too did the momentum behind the anti–ALCA campaign, even though the pan-American trade integration project was still officially on the table and could be revived at any time. Indeed, by the time of the 2006 WSF, the issue of trade had slipped to twenty-first place in a list of top 25 issues identified as areas of focus of the Forum's activities (meetings, workshops, and so on) (Albrow et al. 2007).

The anti–free trade movement does not always speak with one voice. There may be more common ground on the question of what it is that they are against, although there are different approaches when it comes to solutions and alternatives. In relation to trade and regional integration, different perspectives and strategies on issues of market access have come to the fore in Latin America. Some, such as the No al ALCA movement, remain fairly oppositional, some seek better terms of access within the framework of the FTAs, and others promote alternatives such as "fair trade".

Alianza Social Continental (ASC) was established in Belo Horizonte, Brazil, in 1997, and now includes large organizations and networks from 19 countries, as well as 18 regional or international networks. The ASC mobilized initially against free trade initiatives and subsequently broadened its concerns to include other issues such as food sovereignty, human rights abuse and macroeconomic issues. A range of tactics—including lobbying, advocacy through high-profile events, and a hemispheric-wide consultation on the FTAA at the grassroots level—played some part in the success of the anti–free trade movement in halting, albeit perhaps temporarily, the FTAA negotiations.[14]

Some regional civil society networks have focused on generating and disseminating knowledge on the likely implications of trade agreements for inclusive development, and on needed policy reforms. The Iniciativa Mesoamericana de Comercio, Integración y Desarrollo (Iniciativa CID),

[14] See www.asc-hsa.org/node/10, accessed on 22 October 2009, and Sampson (2004).

for example, which involves NGOs and social movements in Central America and Mexico, has produced technically sound proposals on how to deal with power asymmetries, agricultural subsidies, potential labour and environmental violations. It has used this analysis to lobby governments. Trade unions have long played this role in MERCOSUR, within the tripartite consultative structure that emerged at the outset. In later years this structure was broadened to include other social actors, via the creation of advisory organs to the Common Market Group (CMG), the executive body of MERCOSUR. These included, for example, Reunión Especializada de la Mujer (REM), created in 1998 (Espino 2008), and the Reunión Especializada sobre Agricultura Familiar (REAF), created in 2004 (Marquez and Ramos undated), which were meetings on women and family farming respectively. After years of having been largely sidelined in the DR–CAFTA process, small farmers have also recently gained a voice via the establishment of the Programa Dialogo Regional Rural (PDRR) which interacts with the regional agricultural coordinating council, the Consejo Agropecuario Centroamericano (CAC). These examples also point to the fact that regional trade and integration structures are playing "participatory catch-up". Having largely marginalized key social actors during the design process, certain spaces are now opening up, due to ongoing civil society mobilization and coalitions involving social actors, international agencies and allies within state institutions.

Another approach relates to the fair trade movement, which is active in the region, to enhance the voice and political influence of disadvantaged groups. The movement encourages the production for export of coffee and other products that pay a premium price to small producers. It also supports their empowerment through social organization, often in cooperative structures. The social mobilization of peasants, which waned in the 1980s, has also found new forms of expression through organizations such as Via Campesina which has expanded into a large international network. Via Campesina supports the goals of land reform and food sovereignty, and is highly critical of the free trade market access model and the unlevel global playing field that results from the large subsidies paid to agricultural producers by the US and EU governments.

Similarly, when it comes to the question of how activists and civil society organizations relate to free trade negotiations actually taking place at the country level, different positions often emerge. These vary from active resistance to any agreement per se, as in the case of the No al ALCA movement, to various forms of participation in the negotiating process to try and strengthen labour and environmental clauses and protect domestic and small producers. Such variations are explored more fully in the country case studies below.

But these tactics and strategies are not cast in iron. Civil society organizations and networks have proven extremely adept at, either simultaneously or sequentially, adopting "insider" and "outsider" strategies to gain influence—and moving back and forth between these roles—as well as engaging in other tactics. As Newell and Tussie (2006:67) explain when analysing the role of labour, environmental and women's movements in trade policy making in Latin America:

> [G]roups appear to make strategic decisions about the worth of engaging with processes they consider being limited or fundamentally flawed. Related to this, we observed strategies of forum-shopping or 'negotiation-hopping' on the part of activists, aligning their campaigning energies with processes they perceive most likely to deliver change.

As a consequence, some groups redirected their energies from what they perceived as a stalled MERCOSUR to ALCA where there appeared to be greater prospects for change (in terms of blocking the initiative). And when the DR–CAFTA negotiations were underway, some organizations focused more on this forum than on ALCA (Newell and Tussie 2006:67).

Policy coherence and policy space

The various developments noted above seem to bode well for the ability of Latin American governments to chart a development path that differs from neoliberal orthodoxy. In practice, however, such "relative autonomy" has been constrained partly by ongoing conditionality and the embedding of neoliberal ideas within national elites, technocracies and various knowledge-based and opinion-forming institutions (such as think tanks, universities and the media) and partly by changes occurring in the correlation of social forces and the capacity of non-state actors to influence the policy process.

Are current trade regimes and patterns of regional integration conducive to inclusive development? Their rapidly evolving nature and the emergence of new agreements, such as DR–CAFTA, as well as different models, such as ALBA, mean that in many cases it is too early to tell. It is possible, however, to begin a discussion of their implications for two principles of policy making and development strategy that have gained currency in recent years as being key for good governance and inclusive development, namely, "policy space" and "policy coherence". This section examines their meaning and provides some initial reflections on the implications of the shifting coordinates of trade and development for policy space and coherence. This discussion is later taken up in the country case studies that follow in Part II.

International development thinking and policy has undergone a number of significant changes since the turn of the millennium, partly in response to the critique of neoliberalism in general—and structural adjustment programmes in particular—as well as aid policy (Utting 2006). This critique has focused to a large extent on conditionality associated with donor governments and IFIs, such as the World Bank and the International Monetary Fund (IMF), as well as the failure of structural adjustment policies and the ineffectiveness of Official Development Assistance (ODA) to stimulate development.

Criticisms centred on the contradictions between economic stabilization and structural adjustment programmes on the one hand, and social development on the other, as well as the imposition of policy frames that reduced developing countries' policy options or instruments to promote economic and social development. The so-called rolling back of the state—a feature of neoliberalism—had affected the administrative capacity of governments in many developing countries, resulting in glaring gaps between policy intentions and actual implementation. In response to these concerns, and the analysis of "successful" development, particularly in East Asia, the normative concepts of policy coherence[15] and policy space gained prominence.[16]

Policy coherence

What some economists call the lost decade of the 1980s in Latin America, as well as the ongoing trends associated with persistent poverty and growing inequality, point to a fundamental policy problem, namely that of policy (in)coherence. The principle of policy coherence refers to the need to minimize the gap between policy objectives and implementation or impacts, as well as the tensions and contradictions between different policies. Much of the discussion on policy coherence centres on the more technical aspects of reducing duplication and fragmentation while increasing the effectiveness and efficiency of policies (Duraiappah and Bhardwaj 2007). Important from this perspective is both the "design and content of mutually supportive policies and their effective implementation…[and]…the capacity of different policy-making authorities to work together effectively in both the design and implementation processes" (Oyejide 2007:8).

[15] Like the concept of policy space, the genealogy of the term policy coherence is closely linked to the development of multilateral trade institutions, in particular the WTO. In its current use, the concept has been traced back to the ministerial declarations that preceded the Uruguay Round in 1993 and the 1994 agreement that led to the establishment of the WTO. Two other important events were the 1999 Joint Declaration on Coherence by the Bretton Woods institutions at the WTO ministerial meeting in Seattle and the call for greater coherence by the WTO working group on Debt, Trade and Finance after the 2001 Doha declaration (Grabel 2007).

[16] Gallagher 2005; UNDESA 2005; OECD 2003.

This paper is more concerned with the strategic and normative dimension of policy coherence. This relates to the question of whether different public policies are pulling in the same direction from the perspective of inclusive development. Key in this respect is the relationship between economic and social policy. The failures of structural adjustment programmes in the 1980s exposed the contradictions of neoliberal policy, notably their perverse social effects. The principle of policy coherence was seen by some as useful for drawing attention to the need to re-equilibrate the economic and the social, and address, proactively, the social effects of economic stabilization and other macroeconomic policies. The concept of policy coherence also emphasized the fact that social policy and social development should not be seen as residual categories—as something that happens once economic growth is taken care of; nor as something that can be sacrificed or subordinated to macroeconomic policy (UNRISD 1995, 2006).

Within the region, there were signs that, prior to the global crisis of 2008–2009, key indicators of economic and social development were moving in a fairly positive direction (see annex). Particularly important from the perspective of correcting the marginalization of social policy was the fact that more attention and resources were being focused on social policy (Molyneux 2008). This led some observers to point to the re-emergence of the developmental welfare state which, despite its truncated or fragmented form, was a key institution shaping development paths in many Latin American countries until the 1980s (Riesco and Draibe 2007). In relation to social policy, there is greater recognition of the limits of narrow approaches to social protection promoted by the World Bank and other international development agencies, based on "targeting the poor" and the need to lean more toward universalism, whether through large-scale conditional cash transfer programmes, as in Brazil and Mexico; reversing trends associated with the privatization of basic services or pensions, as in Argentina, Bolivia and Chile; or resurrecting the principle of free education for all, as in Nicaragua.

Social policy itself needs to be coherent, in the sense of avoiding a narrow focus on social protection and targeting "the poor", leaning more toward universalism and addressing issues of redistribution, human capital formation and social reproduction at the level of the family or household (UNRISD 2006). The relative strength of welfare state policies in Chile, the major scaling up of conditional cash transfer programmes in Brazil and Mexico, and of the Zero Hunger programme in Nicaragua, all point in this direction.

From the perspective of inclusive development, policy coherence must also relate to the industrial, fiscal and macroeconomic policies that strengthen state capacity, promote innovation, encourage backward and forward linkages between the FDI and local firms, and provide some degree of protection for domestic firms associated with infant industries and small and medium enterprises (SMEs) where the bulk of employment is generated (UNCTAD 2001). Abugattas and Paus (2006:17) suggest the need to adopt a "capability-centred" development strategy that adopts proactive industrial, public finance, development-friendly macroeconomic and pro-poor social policies.

The "developmental" features noted above are an important reminder that inclusive development is as much about sustainable economic growth and productivity as it is about social protection and redistribution. As regards policy coherence, a major challenge, particularly for the more Left-leaning governments associated with ALBA, is how to promote structural change and redistribution without alienating key sectors of the business community and the prospects for investment and growth. In Nicaragua, the Ortega administration enjoyed a relatively long honeymoon that was prolonged by high commodity prices and new business opportunities linked to both CAFTA and ALBA. It remains to be seen, however, whether this situation will persist, given the global and national downturn in 2009. In Bolivia, changes in development policy and power relations quickly divided the country, with much of the business community mobilizing against the government.

What might be regarded as the green shoots of policy coherence in the region also need to be appraised in the context of ongoing economic liberalization. Policy coherence is also political in the sense that it is contested and "up for grabs" at the level of discursive struggle. Indeed, the notion of policy coherence has been critiqued for being complicitous with neoliberalism. Given the relative political weakness of social forces and ideologies pushing for what has been called transformative social policy, it is often the technical interpretation, referred to above, that holds sway within mainstream policy circles in various countries. Moreover, the term has come to mean harmonization with the logic of trade liberalization, reflecting the global political reality where the World Bank, IMF and the WTO set the rules of the game. This use of policy coherence in the context of bilateral and plurilateral FTAs is clear, for example, in NAFTA's chapter 11 provision which gives pride of place to the rights of foreign investors over the regulatory authority of the state. Under the more recent United States–Chile and United States–Singapore agreements and the DR–CAFTA, policy coherence is related to achieving deeper integration (Grabel 2007).

As some have argued in relation to other potentially progressive development terms and concepts (such as empowerment and participation), the point is not to abandon those that have been appropriated by the elites to reinforce development models that perpetuate poverty and inequality, but rather to uncover their political and discursive use and recast them to become an empowering conceptual tool for developing countries (Cornwall and Brock 2006). As Grabel (2007:340) maintains, "policy coherence should entail an understanding of the uniqueness of diverse national contexts; path dependence, institutional embeddedness, and stickiness; recognition that there exist multiple paths to development; and respect for national policy space".

Policy space

Policy space generally refers to the right of national states to craft a development strategy through policies that are in tune with national priorities and realities, rather than kowtowing to the perspectives, priorities and conditionality associated with IFIs and donor governments. The concept is grounded in three principles of international law and policy: namely, the sovereignty and self-determination of nation-states; the right to development; and the principle of special and differential treatment for developing countries (South Centre 2005). Two crucial interrelated elements of policy space are thus the autonomy of governments to resort to a diverse range of policy instruments to enhance sustainable development outcomes in the future and the ability of the state to orchestrate the development process (for example, state capacity).

Advocates of free trade argue that the FTAs offer developing countries more stable and transparent market access to developed countries than that granted under short-lived and politically unstable unilateral trade preferential schemes such as the Caribbean Basin Initiative (CBI) of the United States for Central America and the Caribbean, and the European Union's General System of Preferences. For developed countries, free trade agreements ensure policy harmonization, particularly in areas such as intellectual property rights (IPRs) and investment, needed to protect knowledge and extend rights to foreign investors in order to develop future comparative advantages and maintain the status quo of these countries.

Yet the advocates of free trade are not as quick to address the fact that bilateral and regional trade agreements involve a fundamental trade-off: they offer developing countries enhanced market access to developed countries in exchange for more stringent commitments in areas like IPRs, investment, services and government procurement than those agreed upon at the WTO (Shadlen 2005; Sánchez-Ancochea and Shadlen 2008). This has profound implications for developing countries as these agreements reduce key aspects of policy space and frown upon or, indeed, render illegal, policy tools that have played a crucial role in the development of the so-called late industrializers in both North and in East Asia. As Rodrik observes, excessive attention to the goal of market access and deep integration runs the risk of not only undermining both growth and poverty reduction, but also ignores the historical reality that the route to development is along multiple paths that vary according to a country's economic, social, geographic and institutional circumstances (Rodrik 2001).

In East Asia, for example, policy space was essential. It allowed governments to use both national supply-side policies and international trade frameworks creatively in order to develop local capacities to absorb and adapt knowledge, as well as to innovate and foster high technology production. The active role of the state and a combination of both demand-side (trade rules) and supply-side (domestic) policies proved to be crucial to

- add value to production;
- foster infant industries;
- promote innovation systems and research and development;
- manage FDI in order to create backward linkages with the national economy and generate effective technology transfer;
- strengthen domestic firms that would become "national champions"; and
- connect to the world economy on better terms.[17]

The state thus actively "governed" the market and state-business-society relations in order to generate and sustain economic growth, industrialize and derive substantial benefits from trade liberalization, while also addressing, to some extent, social development issues either directly through public policy or by promoting corporate social welfare.[18] It also encouraged national financial autonomy from IFIs. In contrast to Latin America, East Asia was able to maintain relatively low debt levels, at least until the 1997 financial crisis, through a self-financed model.

Key aspects of policy space, then, relate to industrial policy and relative freedom from constrictive forms of aid conditionality that have been associated, in particular, with economic stabilization and pro-cyclical policies. The situation in Latin America was quite different from East Asia. As the neoliberal agenda took hold in Latin America, industrial policy declined. However, some elements did remain, given the legacy of ISI and the ongoing strength of business interests producing for the domestic market and concerned about the effects of rapid liberalization. Aid conditionality was particularly oppressive during the debt crisis and the lost decade of the 1980s when many countries resorted to World Bank and IMF loans. The situation eased somewhat in later years as the debt burden declined and international donors at least paid lip service to the principle of national ownership as a necessary adjustment that had to be made to render economic restructuring and governance more effective. There was also a shift from a project approach—where service delivery NGOs figured prominently—to national development programmes and frameworks where the legitimacy of the state as a key development agent was reasserted. In practice, however, this shift to national ownership was often accompanied by the increasing bureaucratization of aid where recipients were obliged to invest more time and energy in reporting, evaluations and audits.

In the particular context of trade and other international negotiations, the notion of policy space can also be understood as being closely interlinked to negotiating space, including for example, the ability of developing country governments to have a voice at the bargaining table and to shape the final outcomes. The crystallization of the concept of policy space is indeed linked to the multilateral trade context, and to the history of the WTO in particular.[19] It began to appear in its current connotation in UNCTAD documents in 2002 and was given "official" status in the São Paolo Consensus of UNCTAD XI in June 2004.[20]

[17] Amsden 2001; Chang 2002; Wade 1990.

[18] Wade 1990; Kwon 2005; Woo 2007.

[19] ODI 2007; South Centre 2006, 2005; Chang 2005; Corrales-Leal 2007. In the context of trade negotiations, the term was first introduced by Venezuela in preparation for the 1999 WTO Ministerial Conference in Seattle (WT/GC/W/279) .

[20] This paragraph reads: "The increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, i.e. the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations. It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance

Against all forms of economic essentialism and market fundamentalism, the concept of policy space suggests that a country's development strategy does not exist in abstracto. It is, instead, sociohistorically embedded and must be understood in terms of real possibilities regarding the country's degrees of freedom (Abugattas and Paus 2006; Chang 2005). In an attempt to operationalize this notion, Hamwey conceives of a country's "effective national policy space" as the overlap between its endogenous and exogenous policy space. Endogenous policy space is bounded by domestic constraints such as "inadequate financial, human, institutional and infrastructural resources needed to implement desirable development objectives" and "limits to policy acceptability and the influence exerted by national stakeholders" (Hamwey 2005:3).

Exogenous policy space is bounded by international constraints arising from obligations to transnational agreements on economic, environmental and social issues (Hamwey 2005:3–4). Similarly, the influence of regional and transnational non-state actors on a country's policy space should not be overlooked. A change in policy priorities, external and internal political economic conditions, and political will, however, can reduce the impact of policy space constraints and, in some cases, be turned around in order to facilitate the consecution of development policy objectives. This perspective suggests that policy space is not a static concept but an evolving one, and can be either limited or enhanced, depending on public policy choices.

It also casts the asymmetries, critiqued, for example by the Group of 77, as stemming, not from reduced exogenous policy space—which under economic integration shrinks proportionally for all countries—but rather from the relatively small size of developing countries' endogenous policy space. Thus,

> although under the application of a multilateral agreement all countries may be subject to act within an equivalent exogenous policy space, developing countries may not have sufficiently extended endogenous policy space to access much of the allowed exogenous space. As a result, their effective national policy space may be considerably smaller than that of developed countries (Hamwey 2005:5).

In order to rectify these asymmetries, this analysis calls for "enabling mechanisms" such as special and differential treatment (S&DT). By effectively addressing the structural needs, strategic development priorities, and limited implementation capacities of developing countries, S&DT could serve to extend national policy space.

Scholars have recently begun to deploy the notion of policy space to evaluate the effects on developing countries of the spaghetti bowl of different international trade regimes, both multilateral and FTAs. The concern, analogous to the one raised in multilateral frameworks, is that the FTAs between developed and developing countries in the context of the deep integration agenda[21] are reducing the endogenous policy space of developing countries. Abugattas and Paus argue that in Latin America, the bilateral and plurilateral trade agreements—like NAFTA, DR–CAFTA, and the FTAs with Chile, Peru and Colombia—have reduced the effective national policy space of these countries. As these authors conclude, "low tax ratios and the difficulties of raising taxes on foreign investors are imposing severe limitations on the internal [i.e., endogenous] space for implementing key policies of a capability-centred strategy" (Abugattas and Paus 2006:23). Structural concerns regarding the loss of policy space in the context of intellectual property provisions and strategic industrial policy tools in the FTAs have also been raised by other scholars.[22]

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between national policy space and international disciplines and commitments" (UNCTAD 2004:2–3; see also ODI 2007; South Centre 2006; Hamwey 2005).

[21] According to Haggard (1995:2) "shallow integration implies border restriction, whereas deep integration refers to 'behind the border' policies, once deemed wholly domestic, which have now become the subject of international negotiations".

[22] See, for example, Shadlen (2005, 2007); Shadlen and Sánchez-Ancochea (2008); Drahos and Mayne (2002).

The use of the concept of policy space to critique the deep integration agenda is no doubt consistent with its origin and normative force in the multilateral trade context. Yet developing countries are increasingly turning to bilateral and plurilateral FTAs as a second best alternative to trade liberalization via multilateralism. In this sense, the trade and development strategies that are being developed by the new Latin American Left are anchored both in trade liberalization and the new initiatives for regional integration (ALBA, Banco del Sur, and so on). Only Ecuador and Bolivia have, in fact, halted FTA negotiations with the United States. Uruguay, under the leadership of Tabaré Vásquez, has signed a Trade and Investment Framework Agreement with the United States, which could potentially hamper regional integration via MERCOSUR in the future.

In contrast to the FTA model, other initiatives for regional integration are based on the idea that sovereignty and development are largely intertwined and therefore require greater policy space. Accordingly, the flexible, pragmatic and piecemeal nature of the new regional trade context is said to allow developing countries to put together a more advantageous trade policy—a sort of nationally specific special and differential treatment—that will translate into a larger exogenous policy space. It is also argued that this new trade context will likewise enlarge endogenous policy space as bilateral and plurilateral agreements allow Latin American countries to reap the growth possibilities of the new (information) economy (Consejo Nacional de Innovación para la Competitividad 2007–2008; Cimoli 2005).

Given this situation, it would be misleading to suggest that the new regionalism will only reduce the policy space of Latin American countries or that the concept of "policy space" will somehow imply an a priori repudiation of bilateral and plurilateral FTAs in particular and the new trade context in general. It would be more consistent with the structural and ideological changes that are taking place in Latin America—and specifically the initiatives for regional integration that are emerging in and through the turn to the Left—to suggest that it is still too early to determine the overall effects of the new regionalism on the policy space of Latin American countries. For this reason, a useful application of the concept of policy space might be to determine the combination of trade agreements (not just the different bilateral and plurilateral FTAs, but also the different subregional and regional trade and integration ones) that will maximize a given country's degree of freedom.

Part II: Country Studies

To examine in greater depth the dynamics of trade policy formation, this paper looks at the experience of four countries in the region—Bolivia, Brazil, Chile and Nicaragua—where the turn to the Left has assumed very different forms and where the correlation of forces between different trade policy actors or stakeholders varies considerably. It is important to note, however, the very different levels of development, historical paths, economic structures, and the domestic market size of the four countries. All of these elements will bear specific implications for policy coherence and policy space in the context of trade and development.

The key questions addressed in this section include the following: first, how has the cartography of trade regimes evolved in contexts of structural and ideational change, as well as with the shift to the Left? Second, why have Left-leaning parties or governments supported or accommodated conventional free trade agreements? Third, how has the rise of non-state actors affected trade and regional integration policy? Fourth, why has the proliferation of civil society actors concerned with issues of social injustice, and in particular the anti–free trade movement, had so little impact in shaping the policy agenda related to trade and regional integration, even in situations where such actors were given a seat at the policy table? And lastly, what are the implications for policy coherence and policy space of the changes that are taking place in trade and regional integration policies?

Bolivia[23]

Some have argued that the fact that Evo Morales was propelled to power[24] by the network of progressive social movements—the Movimiento al Socialismo (MAS)—makes the Bolivian model a point of reference for countries in a region that is undergoing profound geopolitical and ideological changes. [25]

Others, however, have been more sceptical of the Bolivian model, critiquing Morales's alter-globalization populism and his alliances with regional "agitators" such as Hugo Chávez, Rafael Correa, Daniel Ortega and the Castro brothers.[26]

The research suggests that one needs to be careful with perspectives that are either too quixotic or one-sided and thereby fail to do justice to the complexity and the novelty of the model that Bolivia has been attempting to implement since the early days of the Morales administration. This model embodies the possibilities and limits of the "new developmentalism" that has come to the fore in Latin America in the context of the shift to the Left and the failures of the Washington consensus (Bresser-Pereira 2007; Riesco and Draibe 2007). The Bolivian neo-developmentalist model has been articulated and operationalized in and through the Plan Nacional de Desarrollo (PND) which was first made public in June of 2006 (Ministerio de Planificación del Desarrollo 2007).

Trade strategy

As an element of the PND's vision of international relations and consistent with the post-colonial perspective,[27] the trade strategy of the MAS government is part and parcel of a comprehensive political, social and cultural approach to globalization that combines the traditional critique of dependency theory, and a concern with the asymmetries of the global economic system, with the indigenous holistic and integral approaches to economic productivity and social development (Ministerio de Planificación del Desarrollo 2007:239–245).

The MAS trade strategy is an attempt to push beyond the primary export model of trade, unilateral tariff reductions and the unconditional openness to FDI that have characterized the country's neoliberal experiment.[28] This vision of trade, however, is constrained by the economic realities of a small country, which in 2007 ranked eleventh (just ahead of Guyana) in terms of per capita gross domestic product (GDP) among the 12 member states of the Unión de Naciones Sudamericanas (UNASUR) and last in terms of both exports and imports per household (Comunidad Andina 2008).

Exemplifying this new vision of trade, Morales signed the Tratado de Comercio de los Pueblos (TCP) in April 2006—a few months after his inauguration—by which Bolivia officially became the third member of ALBA, joining Cuba and Venezuela that had established the integration agreement in December 2004.[29] According to Pablo Solón, Bolivia's Plenipotentiary Representative for Integration and Trade Issues, the ALBA–TCP differed from traditional FTAs in at least four fundamental ways, by (i) guaranteeing markets for Bolivian products; (ii) incorporating the normative role of the state as regulator and promoter of trade; (iii) ensuring productive complementarity between participating nations; and (iv) benefitting small (agricultural) producers (MBSISP 2006).

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[23] This section draws heavily on the report by Santiago Daroca Oller, entitled "Bolivia frente al desafío de una integración inclusive" (2008), which synthesizes the findings for the Bolivia country study carried out under the research project mentioned in the introduction of this paper.

[24] Elected for the first time in December 2005 with just over 50 per cent of the votes, Morales was re-elected in December 2009 by approximately 62 per cent of the votes.

[25] Wallerstein 2008; Mignolo 2008; Ziegler 2008; Touraine 2006; Hardt and Negri 2005.

[26] Castañeda and Morales 2007; Castañeda 2006; Vargas Llosa 2006.

[27] See the section on the role of non-state actors below.

[28] In 1985 President Victor Paz Estenssoro introduced the Nueva Política Económica (NPE) which marked the beginning of the neoliberal period in the country (Mayorga and Córdova 2008; Daroca Oller 2008; Rodríguez 2005).

[29] Nicaragua joined ALBA in January 2007, while Dominica and Honduras joined in January 2008 and October 2008 respectively.

The MAS administration has maintained that Bolivia is the country that most benefits from ALBA given that, among other things, this agreement secures markets for traditional exports such as soy, coca and quinoa. Some of these exports have been recently threatened by cheaper competing products from the United States that have made their way into the CAN framework—the traditional destination of Bolivia's agro-industrial products—through bilateral agreements with Colombia and Peru. In 2007, Bolivia had a trade surplus of $188.55 million[30] with ALBA; a trade surplus of $194.48 million with Venezuela and a trade deficit of $5.93 million with Cuba. Trade with the other ALBA members—Nicaragua, Dominica, and Honduras—is practically non-existent.

For the time being, then, trade between Bolivia and ALBA is dominated by trade with Venezuela. Congruent with its leadership role in ALBA, Venezuela—already Bolivia's main buyer of soy (approximately 600,000 tons a year)—committed itself to increasing its imports of soy by 200,000 tons in 2007. In addition, the country has agreed to buy soy at a preferential price specifically from small producers (having less than 50 acres). A study by the Centro de Investigación y Promoción del Campesinado (CIPCA) has shown that 108,000 tons of soy were bought at $216 per ton, some 35 per cent above the going market price of $160 (Ortiz 2007) .

In addition to joining ALBA–TCP, Bolivia has pursued its historical commitments with CAN and MERCOSUR. Several months after joining ALBA, in December 2006, Morales wrote to representatives of these two subregional trade areas to make explicit Bolivia's unprecedented ambition of becoming a full member of MERCOSUR while remaining within CAN (Morales 2006). The fact that these two trade areas have been guided by solid orthodox macroeconomic principles since their creation in 1997 and 1991, respectively, brings forth tensions with the solidarity principles of ALBA. Perhaps the fundamental challenge for Bolivia's new trade strategy is to combine the ALBA alter-globalization model with the market-oriented growth and integration possibilities provided by these two Latin American subregional trade areas.

The Andean project of integration has, since the beginning, been an important element of Bolivia's foreign policy, though initially this was due more to geopolitical than economic reasons (Daroca Oller 2008). Bolivia was one of the founding members of the Andean Pact, a predecessor of CAN, in 1969. However, the ISI logic that dominated the pact during the 1970s did not generate the desired economic development. Moreover, Bolivia's exports to the Andean bloc accounted on average for approximately a modest 5 per cent of the country's total exports. Yet the Andean Pact was seen by Bolivia as a vehicle for resolving the border dispute with Chile (Seoane Flores 2003; Fernández 1999).

Andean integration became principally an economic project for Bolivia with the Quito Protocol of 1987 marking a shift in the Andean Pact toward the pragmatic and flexible market-oriented principles of integration that would become known as "open regionalism". The turn to the Left and the new geopolitics, and specifically the creation of ALBA and the election of Morales and of Correa in Ecuador (in November 2006), disrupted the general neoliberal orientation that had defined CAN since its creation with the Trujillo Protocol of 1996. This orientation would, under the new regionalism, be exemplified by Peru and Colombia which signed FTAs with the United States in April and November 2006 respectively. The situation within CAN worsened in April 2006 when Venezuela, the engine of the subregional bloc, decided to withdraw from the trade group. The departure of Venezuela was a sharp blow for the Andean integration project. Bolivia's trade surplus with CAN, which accounted for a modest 15 per cent of the country's trade surplus in 2006, dropped to 6.5 per cent in 2007 (IBCE 2007a). The decline of intra–CAN trade which was associated with the emergence of ALBA, underscored, on the one hand, the importance of Venezuela for Bolivia and, on the other, that MAS trade strategy reaped the benefits of the principal regional integration projects.

[30] $ figures refer to US dollars.

CAN has become somewhat of an ideological battleground for the two visions of trade that have come to the fore in the post–Washington consensus in Latin America, namely, ALBA and the FTAs. The clash between these visions has been evident in the troubled negotiations between CAN and the European Union, which has opposed Bolivia and Ecuador's Bolivarian alter-globalization approach to trade, on the one hand, and Peru and Colombia's deep integration market-oriented approach on the other. Since the beginning of the negotiations in September 2007, the MAS government has worked on the assumption that the Association Agreement (AA) between CAN and the European Union would push beyond the narrow economistic logic of the FTAs, and that it would, for example, include broader social and political development objectives.

The different visions of the AA began to crystallize during the third round of CAN–EU negotiations in Quito that took place in April 2008. During these negotiations, the discussion groups dedicated to services and investments, intellectual property rights, and sustainable development were blocked. And in addition to negotiating temporal variability in the application of the AA, the MAS government—backed by Ecuador—unsuccessfully attempted to negotiate the exclusion of certain sensitive elements such as the privatization of public services (Gutiérrez 2008).

The crisis set in during the fifth EU–Latin America and the Caribbean (LAC) summit in May 2008 when the EU's Commissioner for Trade, Peter Mandelson, criticized the recalcitrance of Bolivia and Ecuador and threatened to continue the negotiations without them. Given this climate of animosity, the fourth round of the CAN–EU negotiation, which was to take place in July 2008, was cancelled. In September 2008, in a coordinated effort, Presidents Alan García of Peru and Alvaro Uribe of Colombia wrote to the President of the European Union requesting a continuation of the negotiations and suggesting that the most efficacious approach was the one used to negotiate the FTAs with the United States (RECALCA 2008). Questions being discussed toward the end of 2008 were whether parallel block-to-block negotiations—EU–Colombia-Peru and EU–Bolivia-Ecuador—would be possible and whether they would take place. This institutional crisis within CAN, as seen below, led to the mobilization of civil society actors in defence of the MAS vision of the CAN–European Union negotiations.

It appears that the MAS strategy vis-à-vis the EU–CAN negotiations in particular, and the polarization of CAN in general, is to push the alter-globalization and solidarity principles of ALBA without generating the collapse of the Andean trade bloc. Indeed, within CAN, there seems to be a situation compatible with game theory according to which it is in the best interest of each of the member states to negotiate its particular vision of trade while staying within the project of Andean integration. There were already rumours in April 2006 that Bolivia was going to follow Venezuela and withdraw from CAN. The fact that the country has stayed within the trade bloc points to the historical importance of this subregion for Bolivia. CAN has historically been the destination of a modest percentage of Bolivia's traditional products and is becoming a significant destination for non-traditional (higher value-added) products as well (Daroca Oller 2008). In addition, the reincorporation of Chile into CAN as an associate member in September 2006 not only added a possible market for both traditional and non-traditional products but also increased the geopolitical value of the trade bloc (particularly in the case of the maritime dispute between Bolivia and Chile). Bolivia is not as large as Venezuela. As a way of compensating for its lack of economic and geopolitical leverage, the MAS government is attempting to weave together the benefits of the different major regional integration projects. The negotiations with the European Union are particularly important, given Bolivia's troubled relationship with the United States. The AA with the European Union could secure an alternative destination for those exports that have traditionally gone to the United States, and could serve the ideological ends of Bolivarian socialism.

In addition to joining ALBA and its strategic engagement in CAN, as alluded to earlier, another of the central elements of the MAS trade regime is the ambition of the Morales government to become a full member of MERCOSUR while remaining in CAN. The feasibility of this project has been questioned by some experts who claim that it is not institutionally possible to fully integrate both subregional trade areas as they are mutually exclusive given their current statutes (Daroca Oller 2008:18–19). Moreover, a large majority of Bolivia's productive sectors (that is, business actors as well as rural cooperatives that are more closely linked to progressive civil society actors) have opposed this project as it would expose domestic markets to competing products from MERCOSUR countries, specifically Brazil and Argentina. Despite these obstacles, the Morales administration's interest in fully integrating MERCOSUR is consistent with the main principles and overall orientation of the MAS trade strategy. This strategy is based on the notion that trade relations need to go beyond the economistic logic of FTAs and generate, for example, broader social and cultural integration grounded on solidarity and cultural and historical ties. It also points to the importance of regional integration projects for Bolivia's trade strategy. These are not seen as a stumbling block for integration into the world economy but rather as stepping stones.

MERCOSUR's two largest economies, Brazil and Argentina, are among Bolivia's most important trading partners. Thus, for example, between January and September 2008, Brazil and Argentina accounted for 43 and 7 per cent, respectively, of the total value of Bolivia's exports, and for 18 and 14 per cent, respectively, of Bolivian imports (IBCE 2008a). The strategic importance of MERCOSUR for the Morales administration is evident when taking into consideration that this trade bloc accounted for 64 per cent of Bolivia's trade surplus in 2007 (while CAN accounted for only 6.5 per cent and ALBA for 14 per cent) (IBCE 2007a). Bolivia's strategy of becoming a full member of MERCOSUR could therefore be understood as a way of using these economic relations to generate broader cooperative ties in areas such as technology, infrastructure and education. It could also be a way of strategically diversifying trade with this bloc that has been largely dominated by gas sales from Bolivia.

Bolivia's alignment with Bolivarian socialism and its repudiation of the deep-integration logic of the FTAs has contributed to the deterioration of relations with the United States under the framework of the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA). This tension with Washington constitutes a fourth element of the MAS trade strategy. It reached its apogee in late September 2008 when President George W. Bush proposed to suspend Bolivia's preferential tariff treatment due to what was interpreted as lack of cooperation on the part of the Morales administration vis-à-vis the problematic coca production issue (USTR 2008). Morales increased the stakes approximately a month later by suspending the operations of the US Drug Enforcement Agency (DEA) in Bolivia, accusing DEA agents of conspiring against the MAS government by supporting separatists from the Media Luna provinces during the violent clashes of mid-September 2008 (see the section on non-state actors below) (Agencia EFE 2008a, 2008b, 2008c).[31]

The bilateral relations between Bolivia and the United States appear to be at a critical juncture. One interpretation is that the MAS confrontation with "US (neo) imperialism"—a sort of rite of passage for the old and new Latin American Left—is more at the level of ideology and will not affect long-term economic relations between the two countries (Lafuente 2008). Others have suggested that the tensions between the United States and the Morales administration are a symptom of a deeper regional problem (Ghez et al. 2008). It is too early to tell which of the two scenarios will hold. Perhaps it will become clearer once the Obama administration has defined its Latin American strategy and the 2008 world economic crisis has played itself out. The United States remains an important trading partner for Bolivia, though its importance is dwindling at least proportionally to its loss of leverage in the world (NIC 2008). Throughout the first three-quarters of 2008, for example, the United States was the fourth largest market for Bolivian products (accounting for 6 per cent of Bolivia's exports), just behind Brazil, the Republic of Korea, and Argentina. In terms of imports, the United States ranked third (accounting for 10 per

[31] The Media Luna (which means crescent), comprises the four eastern departments of Bolivia— Pando, Beni, Santa Cruz and Tarija (a fifth, Chuquisaca, is also sometimes included)—which form a crescent shape from north to south. These departments are quite different from the other five departments of the western high plateau (Altiplano) both in terms of economic prosperity and ethnic composition (Weisbrot and Sandoval 2008; Lemoine 2008).

cent of Bolivia's imports) behind Brazil and Argentina (IBCE 2008a). Yet, the volume of trade between Bolivia and the United States is modest, when compared to Brazil, Venezuela and the European Union. For example, in 2007, trade with the United States constituted only 1.4 per cent of Bolivia's total trade surplus (IBCE 2007a).

The role of non-state actors

The PND takes as its point of departure a postcolonial critique of development (Ministerio de Planificación del Desarrollo 2007:9–10, 39). From this perspective the task of the MAS model is to push beyond the dialectic of colonization which has manifested itself most recently through the Washington consensus but has also been present in traditional Leftist projects (Mignolo 2006). A central feature of the PND is the "decolonization of the state", a task that involves a push beyond the market fundamentalism of neoliberalism and the ethnocentrism of traditional or representative politics, both of which have kept, for example, autochthonous peoples of Bolivia at the periphery of the country's economy and society (Ministerio de Planificación del Desarrollo 2007:20–22). The PND thus calls for a return of the state. Reflecting, however, the shift from representative to participatory democracy (Mayorga and Córdova 2008; Mayorga 2007), this return manifests itself in a state that works as coordinator and facilitator with non-state (business and civil society) actors (Ministerio de Planificación del Desarrollo 2007:110–113). The irony is that this turn toward non-state actors, which is characteristic of both "late-modern" conditions of governance in general and the new developmentalism in particular, makes the MAS increasingly vulnerable to the complicated domestic situation it faces.

Several facts about Bolivia have to be kept in mind in order to understand the complexity of the domestic situation which the MAS government has been negotiating since the election of Morales. First, it is the second poorest country in the Western Hemisphere. Second, it is the most unstable country in the region with over 200 changes of government since independence. Third, along with Honduras, it is the only other country in Latin America where the indigenous communities make up the majority of the population. Fourth, and most importantly, Bolivia has long been divided by a sharp ethnic and socioeconomic fault line that exists between the western highland departments and the eastern lowland departments known as Media Luna (Castañeda 2005).

Spearheaded by the department of Santa Cruz and organized around the Consejo Nacional Democrático (CONALDE), the departments of the Media Luna, while openly opposed to the distributive policies and indigenizing tendency of the MAS government, have deployed a strategy of demanding greater departmental autonomy. Both parties have continuously accused each other of violating or manipulating the rule of law in order to achieve their respective political goals. This domestic tension exploded in September 2008 after the national referendum (*referéndum revocatorio*) that was held a month earlier confirmed the legitimacy of both President Morales as well as the prefects of the Media Luna departments. The political gridlock came to a head in September 2008 with violent confrontations between the MAS government and the autonomist militant activists that led to several deaths.[32] Even in the face of growing domestic instability, Bolivia's economy has grown during the early years of the MAS administration (Weisbrot and Sandoval 2007). However, despite this economic expansion, the rate of poverty during this period declined only modestly (from 63.1 per cent in 2003 to approximately 59.9 per cent in 2006). For the MAS government, this only reinforced the argument that the structural and distributive reforms it had proposed were a sine qua non for social and sustainable development.

What makes Bolivia's domestic situation so volatile is that the conflicting visions of business and civil society actors are reinforced by, and play themselves out through, the fault line that exists between the eastern and western provinces. This affinity between the different interests of non-state actors and the historical socioeconomic and ethnic division that has plagued the

[32] For a narrative and preliminary analysis of these events see, for instance, La Razón (2008a, 2008b); Gallego-Díaz (2008); Marirrodriga (2008); González (2008); Lemoine (2008).

country is the dynamic that has generated domestic polarization. For the MAS government, then, the task of overcoming the inequalities between the highlands and lowlands—which is an integral part of the PND—is interlinked with the task of appeasing the conflicting interests of domestic non-state actors, which have come to the fore and have been given increasing leverage under the paradigm of the new developmentalism. Research suggests that despite their differences, both business and civil society actors agree that a return of the state as partner is a necessary condition for Bolivian development. The differences stem from how this partnership is conceived. For business actors, the state should aim at promoting productivity and competitiveness. For civil society actors, the partnership should begin by promoting principles of solidarity, social economy and local development.

As is not the case of other countries, Bolivian business actors are not a homogenous group. They have different interests depending on size, sector and industry. A prime example is the tension that has existed between the agro-industrial sector of Santa Cruz and the manufacturing sector of La Paz. However, with the election of Morales, business actors pushed their differences aside and strategically unified against what they perceived to be the "anti-business" slant of the PND. Exemplifying this mobilization of business actors against the MAS government is the Instituto Boliviano de Comercio Exterior (IBCE), a private organization based in Santa Cruz, that brings together business interests and associations from the Media Luna, and functions as a think tank and clearing house for trade and development issues.

The IBCE has criticized the PND for its emphasis on redistribution, evoking the classical argument that a country first has to produce wealth before it can redistribute it. It requests the MAS government to promote productivity through the development of a higher value added export sector (IBCE 2006). Specifically the organization maintains that the PND has to grant greater weight to developing partnerships with business actors around export promotion, market access initiatives, the attraction of FDI, and a national plan of innovation that would focus on research and development with the aim of improving the productivity of human capital.

Echoing the perspective of Bolivia's business actors, the IBCE has criticized the MAS government's politics of trade for prioritizing what it considers to be the ideological dead end of Bolivarian socialism over a more pragmatic and flexible approach to trade that would favour the development of new markets for Bolivian products. Accordingly, it is not surprising that the IBCE has taken issue with the general orientation of the MAS trade strategy described above. The IBCE has also expressed concern on several other issues such as:

- the country's entry into ALBA–TCP: IBCE considers this agreement to encourage Bolivian dependence on Venezuela;
- Bolivia's deteriorating relationship with the United States, because of the importance of the US market for Bolivian products;
- MAS's approach to the CAN–EU negotiations: the IBCE believes that the best approach is the negotiating framework developed by Peru and Colombia; and finally,
- Bolivia's aspirations of becoming a full member of MERCOSUR, pointing out the potential loss of domestic markets by competition from non-traditional products coming from Argentina and Bolivia.

While the IBCE consistently critiques the general orientation of the MAS trade and development model, and has contributed to domestic polarization and to the animosity between the highlands and lowlands, business actors are not carriers of neoliberal market fundamentalism. In other words, the tension between business actors and the MAS does not take the form of state versus market, as the old antinomies would suggest. It needs to be reiterated that, for the most part, Bolivian business actors agree that the return of the state is a necessary condition for the country's development. The tension, then, between business interests and the MAS government gravitates around a more nuanced debate concerning the role of the private-public partnership as it appears articulated in the PND. While business actors agree that the state should do more than just assure macroeconomic stability as advocated by the Washington consensus, they nevertheless are close to a liberal conception of politics that differs fundamentally from MAS's post-colonial socialist vision. Business actors argue that the positive function of the state should be limited to facilitating the development of entrepreneurial capitalism. The definition of the political and juridical institutional framework for this contested private-public partnership is one of the elements that will need to be clarified by the new political constitution of the state that is to be ratified by the Constitutional Assembly in early 2009.

Bolivian business actors have gestured toward the need for an economic development model with a social conscience. They point toward the normative horizon of progressive business actors from the North and, to a certain extent, the new developmentalist vision of the MAS model. This perspective is illustrated in the Desarrollo Exportador con Inclusión Social (DEIS) programme, a joint initiative between the IBCE, the government of Switzerland, and since 2007, the United States Agency for International Development (USAID). Inspired by the framework of corporate social responsibility, the aim of the DEIS is to channel the positive externalities of export-oriented growth toward employment, health care and other social services (IBCE 2008b:20). From one side, this initiative can be seen as an attempt by business actors to promote their vision of trade and development as defined by the deterritorialized economic ties with the North— in particular Europe and the United States. From another angle, the DEIS can be seen as an attempt by Bolivian business actors to appease the MAS government's demands for economic development with a socioeconomic and ethnic conscience.

Bolivian civil society actors argue that the state should be more than just a facilitator for the development of entrepreneurial capitalism, even if the task is taken beyond the logic of big business and aims to assist SMEs. As advocates of the interests of western highland provinces, civil society actors maintain that the role of the state should be to promote food sovereignty, fair trade and the principles of solidarity that undergird the social economy in partnership with the plurality of social movements—rural, indigenous and labour—and progressive NGOs that have come to the fore through mobilizations against the neoliberal policies of the 1990s.

Bolivian civil society actors enjoy greater legitimacy than their counterparts in other Latin American countries. This stems from the critical juncture that led to the election of Morales and the crystallization of Bolivia's neodevelopmentalist model. As suggested above, the MAS was propelled to power by the network of civil society actors. These actors were able to fill the power vacuum created by the weakness of the Bolivian state, symbolized by the Cochabamba "Water Wars" of 2000 and the El Alto "Gas Wars" of 2003.[33] They also capitalized on the emergence of the alter-globalization movement (Mayorga and Córdova 2008). If the Bolivia of Evo Morales became a symbol of the possibilities of globalization from below, the "other possible world", and the new Latin American Left, it was due in large part to the role of civil society actors coming together, and local, national and transnational struggles against the FTAA and FTAs in general (Chávez 2005; Ramonet 2003). The affinities between the PND and the worldview(s) of Bolivian civil society actors are most evident in terms of trade politics. Progressive civil society actors, for example, have supported Bolivia's entry into the ALBA–TCP since the beginning and more recently, they have defended the MAS government's negotiating strategy with CAN and the European Union.

This support of civil society actors has recently moved beyond the domestic arena and the confrontation with Bolivian business actors. Despite its original unwillingness to negotiate block-to-block, the European Union agreed to conduct bilateral negotiations with Peru and

[33] The failure of Bolivia's neoliberal epoch (see footnote 29) was epitomized by the Cochabamba "Water Wars" of 2000 and the El Alto "Gas Wars" of 2003, which were social conflicts over the privatization of the water supply and gas reserves respectively. These conflicts led to the resignation and self-exile of Gonzalo Sánchez de Lozada in October 2003.

Colombia in November 2008. Reacting swiftly to this decision, Morales proposed an Andean referendum to find out whether the people in the region were in favour of the block-to-block formula. In support of the Morales proposition, the Coordinadora Nacional por el Cambio (CONALCAM)—a network of Bolivian social movements—organized a protest march in Lima where it was planned to meet 15 other indigenous and peasant organizations from Peru and Ecuador at the CAN Headquarters.

The García administration interpreted this mobilization as interference in Peru's domestic affairs and declared that it would deport all Bolivian citizens participating in the march. The Bolivian Ministry of Foreign Affairs, for its part, maintained that the Andean social movements had the right to protest in Lima because the CAN headquarters are based there (Agencia EFE 2008d and 2008e). In the end the march was never held. Nonetheless, the affair has had a significant impact on policy makers and scholars, some of whom are questioning whether this incident points to the further transnationalization of social movements in the Andean region.

Implications for policy space and policy coherence

The MAS trade and development strategy aims to enlarge Bolivia's policy space. From the point of view of the Latin American Left and the principles of the new developmentalism, Bolivia's ability to carve its own developmental path—one that attempts to incorporate, for example, the "traditional" forms of knowledge of its indigenous cultures—has been constrained by neoliberalism.

The MAS government faces both exogenous and endogenous challenges as it attempts to enlarge the country's policy space. With relatively little leverage, it must, for example, bring to the negotiating table the principles of ALBA–TCP in the context of CAN that is looking toward the United States and FTAs. Domestically, it must negotiate in an increasingly polarized national context. One must ask, therefore, what the effects are for policy coherence as the MAS government attempts to overcome these exogenous and endogenous challenges.

Bolivia, which is among the poorest of the Latin American countries, faces negotiating challenges as it attempts to apply the principles of solidarity of the ALBA–TCP in the context of CAN. Such challenges have escalated following the departure of Venezuela and the moves by Colombia and Peru toward FTAs with the United States. They are also evident in the current negotiations between CAN and the European Union, and the attempts by Bolivia to integrate into MERCOSUR. From another angle, Bolivia's trade strategy raises challenges from the point of view of policy coherence as the country seeks to tread the middle ground between ALBA's principles of solidarity and the market-oriented logic of CAN and MERCOSUR, and as it seeks, also, to meet the membership conditions of both CAN and MERCOSUR.

The attempt by MAS to enlarge Bolivia's policy space is being endogenously challenged by the polarization of domestic civil society and business actors, many of which are critical of Bolivia's new politics of trade and development. From their respective perspectives and interests, these actors are putting into question the policies and strategies of the Morales government as institutionalized in the PND. Thus, for example, the business actors based in the Media Luna provinces have criticized and mobilized against the ALBA–TCP. But in a development that is perhaps more problematic, the base of the MAS government—social movements and progressive NGOs—have begun to criticize and mobilize against the MAS's development model for not being as radical as it initially claimed to be.

Brazil[34]

The dominant features of the contemporary trade regime in Brazil focus on the subregional trade agreement, MERCOSUR, initiated in 1991, and the expansion of multilateralism as exemplified by diverse trade relations and Brazil's active engagement with the WTO and the

[34] Rafaela Pannain contributed to the preparation of this section.

Doha Round. More recently, the reassertion of Latin American regionalism has manifested itself through both participation in the UNASUR and resistance to the FTAA. This mix of approaches is congruent with structural features of the Brazilian economy, a mercantilist tradition that historically favoured export promotion and somewhat eclectic ideological influences associated with economic liberalism, developmentalism and nationalism that carried considerable weight with the technocracy and political elite. Large domestic firms and transnational enterprises sought out markets both within the Southern Cone, notably Argentina, and around the world, including not only North America and Europe but also Asia. Brazil emerged as the only Latin American country with TNCs that has significant investments outside Latin America (Daniels et al. 2007:46). The Brazilian state in general, and in particular its commercial diplomacy centred in the Foreign Ministry (also known as Itamaraty) (Lengyel and Ventura-Dias 2004), actively facilitated the international commercial and investment activities of the country's TNCs. Furthermore, the state was relatively free from the interests of non-state actors, and institutions had not been seriously weakened by the types of crises and discontinuities that affected public institutions in neighbouring countries like Argentina and Chile (Huber 2003).

Since the restoration of democracy in 1985, there has been a gradual shift toward social democracy in Brazil, best exemplified in 2002 with the election of Luiz Inácio Lula da Silva—popularly known as Lula—a former trade unionist and head of the Workers' Party. Democratization facilitated the expansion of civil society, comprised of both old and new social movements and the rise of NGOs. Democratization has also coincided with the rapid opening and expansion of the economy, and the concomitant rise of organized business interests. How have these developments shaped the trade regime in Brazil?

Trade strategy

Despite the leftist credentials of the Lula government, there was no immediate significant change in policies, including trade policy. This continuity is not untypical of policy regimes in countries experiencing the dual transitions of economic liberalization and democratization. New democracies often adopt orthodox economic policies for a variety of reasons. These include, for example, the need to provide clear signals so as not to scare off foreign investment and transnational corporations, and the need to be seen both domestically and internationally to be charting a fiscally responsible course, particularly in countries like Brazil which experienced high levels of inflation (Mkandawire 2006). Continuity, however, also relates to the extent to which policy reforms introduced in the 1990s were locked in politically. As Schneider (2004:466) explains, "reforms [under Cardoso] were delayed and diluted by compromise and negotiation [and constitutional amendment], but most of them were ultimately consolidated" through processes of coalition building. The subsequent coalition that underpinned the Lula presidency included Centre-Right parties that had previously allied with the Cardoso government.

There are some signs, however, that regional integration has become more of a priority of Brazilian foreign policy, both at the level of MERCOSUR and UNASUR. Global, regional and national dynamics have come together to produce this outcome. On both the global and regional stages, Brazil seems to be realizing its potential as a "great nation" (Montero 2005). The country's political elites and technocrats, as well as its popular culture, had long believed that Brazil should aspire to an important global and regional position.[35] This grandiose vision was particularly strong within the Foreign Ministry—the institution that took the lead in crafting trade and regional integration policy (Montero 2005:118). That Brazil was fulfilling this role was apparent through its membership of the so-called BRIC club of the four largest dynamic emerging market economies (Brazil, Russia, India and China), its assertiveness in the WTO arena and its promotion of a series of regional integration initiatives. The process of strengthening MERCOSUR was openly seen by the Brazilian government as a way of increasing the bargaining power of its member states in multilateral trade negotiations in the WTO—

[35] This statement is corroborated by persons interviewed for this study, for example, economics professor Paulo Waquil, the President of the Conselho Federal de Economia; business representative Synésio Batista da Costa; and Latin American specialist Claude Auroi at the Institut Universitaire d'Etudes du Développement (IUED), Geneva.

where the country played a leading part in the creation of the G20 bloc of developing nations in 2003 and positioned itself as a regional spokesperson in negotiations with the United States and the European Union.

Not only was Lula elected at a time of favourable global economic conditions, but also at a time of significant change in the Latin American political scene, with the election of progressive governments in several countries. As most of these new governments had demonstrated a major interest in regional integration, it clearly created a propitious environment for the integration projects of the Brazilian government.

The Fondo de Convergencia Estructural del MERCOSUR (FCEM) is a good example of the country's commitment to the strengthening of MERCOSUR. Brazil contributes 70 per cent of the funding to this institution, which was created to reduce asymmetries among the member states of the trade bloc. The summit that confirmed the creation of the FCEM also validated another important Brazilian demand, the creation of the Parliament of the regional bloc. The summit took place in the Brazilian city of Ouro Preto in 2004, and in effect relaunched MERCOSUR (Dabène 2005).

Brazilian commitment to regional integration is not restricted to the MERCOSUR area. The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) became a major actor in the national strategy of promoting regional integration through infrastructure projects (Guimarães 2007; Jedlicki 2006). Furthermore, despite initial reluctance, Brazil eventually joined six other governments in December 2007 to form the new regional development bank, Banco del Sur. This initiative had been actively promoted by Hugo Chavez to create an alternative to the IMF and the World Bank.[36] The Lula government also made the implementation of UNASUR a foreign policy priority (Saraiva 2007). The choice of Brasilia as the place where the UNASUR Constitutive Treaty was signed in 2008 is indicative of the key role played by Brazil in its creation.

In addition, some Brazilian projects designed to promote a bigger participation of non-state actors in MERCOSUR were also implemented. In fact, since its first presidential campaigns, the Workers' Party defended the participation of social movements in the revaluation of the integration model (Alimonda 2000). The Social Summits (Cumbres Sociales) organized by different civil society organizations and coordinated by the Brazilian government, reflect this engagement. The first MERCOSUR Social Summit took place in Brasilia, in 2006, and was attended by people from all the member states and Chile.

At the national level, in 2005, in cooperation with the Economic-Social Consultative Forum (ESCF) and the Joint Parliamentary Commission, the Brazilian government launched a programme called "Meetings with MERCOSUR" (Encontros com o Mercosul). These meetings, organized in Brazilian state capitals, aimed to promote a better understanding of the regional bloc among the Brazilian people.

The creation of the MERCOSUR Social Institute in 2007 signalled a commitment to harmonizing social policies, to "collaborate in designing policies and projects to consolidate MERCOSUR´s social dimension and to contribute to overcoming social asymmetries and inequalities affecting the bloc's countries" (INTAL 2007).

These different initiatives appear to confirm Brazil's commitment to subregional integration. Progress, however, seems to have been more evident at the formal institutional level than in relation to actual trade liberalization and social policy. Indeed, it remains to be seen whether such initiatives effectively deepen regional integration and enhance civil society participation in the regional integration process. Referring to the nature of the knowledge-policy nexus within

[36] At the time of writing, however, the Banco del Sur still remained on the drawing board due to delays related to legislative approval for the capital contributed by each country and voting rights (Alvares de Azevedo 2008).

MERCOSUR, Ventura observes that the MERCOSUR Secretariat's Technical Advisory Service (SAT) has remained extremely weak due to restrictive regulations and the tendency for diplomacy and national interests to hold sway (Ventura 2010: 44)

At one level it is still too soon to judge the extent and impact of regional integration initiatives. It is undeniable, however, that despite their rhetoric and ambitions, governments have been highly constrained in their ability to lead a more cohesive process of regional economic integration. Numerous trade disputes between MERCOSUR member states, notably involving Brazil and Argentina, as well the current environmental dispute between Argentina and Uruguay over the construction of a pulp mill on the border, show the fragility of the regional bloc (Pizarro 2008). Probably even more symptomatic of this weakness is the Trade and Investment Framework Agreement signed by Uruguay with the United States. Even if not an FTA, it indicates a lack of consensus over the strategy of strengthening the Southern Cone bloc as a way to obstruct the implementation of the continental free trade zone envisaged by the United States.

The role of non-state actors

While both MERCOSUR and the multilateral dimension of Brazil's trade policy were designed with very limited participation of non-state actors (Alimonda 2000), opportunities for participation have expanded in recent years. Botto explains the diversification of institutional and stakeholder participation as follows:

> MERCOSUR broke this tradition [whereby the foreign ministry monopolized trade negotiations] by bringing representatives of other ministries and agencies...into the negotiations. The WTO negotiations had a similar effect in terms of linking the private sector's expertise. ... Past negotiations for the FTAA, and the current talks with the EU, have obliged the governments to include the unions and Congress in the debate…. [F]or the purposes of the MERCOSUR negotiations, Brazil set up the Chamber of External Trade (CAMEX), an organization...that brings together [various ministries], as well as some business sectors. Later, as a result of the FTAA negotiations, the government set up within Itamaraty a channel for dialogue with the main chambers of commerce...and parts of civil society, such as the unions in the Single Workers' Central (CUT) (Botto 2010b:54).

However, the creation of new channels of participation, as well as the reinforcement of old ones, appear to have primarily benefited organized business interests, as opposed to civil society actors associated with both old and new social movements. According to a prominent representative of the Workers' Party, the growing participation of some social movements notwithstanding, the workers still play a secondary role in the discussion of Brazilian trade policies, in which big business continues to have a quasi monopoly.[37]

While negotiations that took place from the mid-1980s on the creation of a regional bloc in the Southern Cone involved mainly representatives from the governments, some trade unions tried to influence the process. In Brazil, the Central Unica dos Trabalhadores (CUT) was the civil society organization most engaged in the MERCOSUR. However, CUT had always privileged joint action under the Southern Cone trade union coordinating body, the Coordinadora de Centrales Sindicales del Cono Sur (CCSCS), which had been created in 1986 with the purpose of giving voice to the different unions in the region. Notwithstanding this early commitment, the unions' participation in MERCOSUR was only institutionalized in 1994, with the creation of the ESCF by the Ouro Preto Protocol.

Heads of state formally adopted the MERCOSUR Social and Labour Declaration in December 1998, which contained clauses pertaining to rights and standards related to non-discrimination, equality, migrant workers, forced labour, child labour, and employers' and trade union rights.

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[37] Interview with Valter Pomar, Secretary of International Relations of the Workers' Party, July 2007.

The agreement also called for the creation of a tripartite Social and Labour Commission at both the national and regional levels "which shall play a promotional role rather than involving sanctions".[38]

The ESCF was designed to represent the interests of different non-state actors' and address their recommendations to the Common Market Group, the executive organ of MERCOSUR. Four national sections, composed of trade unions, organized business interests and other civil society organizations, work together in the forum. The creation of this institution has been a significant step forward in terms of civil society participation in MERCOSUR; yet its effectiveness is questionable. On the one hand, participation, not only in ESCF but also in the MERCOSUR technical committees, is unbalanced, with labour and other civil society interests underrepresented in the meetings. On the other hand, the fact that its recommendations are not binding weakens its institutional relevance (Portela de Castro 2007; Ratton Sanchez 2007). In the technical committees, in particular, business is well-placed to provide the necessary expertise. Since the establishment of the ESCF, the representation of Brazilian worker interests has increased. Ratton Sanchez notes that by 2004, union participation from Brazil had increased from three to four organizations and that the Brazilian Organization of Cooperatives also participated (Ratton Sanchez 2007:123–125). On balance, however, she finds that criteria and procedures for participation are confusing and overly selective, and the lack of transparency or access to information further limits participation (Ratton Sanchez 2007; Ribeiro Hoffman and van der Vleuten 2007:199).

Writing of MERCOSUR some 10 years ago, Jelin observed that "the establishment of machinery for participation, representation and mediation between societies and groups and regional institutionality becomes a central challenge in the process. ... The creation of supranational public forums requires the development of new forms of citizenship" (Jelin 1999:46–47). Despite some progress, the limited presence, voice and decision-making power of civil society actors continue to highlight the ongoing democratic deficit of MERCOSUR.

This is somewhat surprising, given the close relations between numerous social movements and the Workers' Party, now in power, and the fact that major trade union organizations had supported MERCOSUR from the outset. The characteristics of the ESCF mentioned above certainly do not fully explain the persistence of a democratic deficit in the regional integration process even after the election of governments close to the social movements, as in the Brazilian case. Other relevant factors relate to the fact that trade unions attach far greater priority to national issues rather than to regional ones (Portela de Castro 2007). There also appears to have occurred a degree of demobilization of social movements following Lula's election. This phenomenon does not only concern trade unions, whose autonomy has to some extent been compromised by having "their" president and party in power (Druck 2006), but also some other movements, in particular the anti–free trade movement that mobilized against the FTAA (Berrón and Freire 2004). The WSF, as one of the most important, if not the most important, space for coordination of the anti–FTAA movement, and Lula's participation in its first three gatherings, was indicative of the significant connections between the movement and the newly elected government.[39] Once the FTAA process was effectively put on hold in 2003, largely as a result of the new Brazilian government's position, the anti–free trade movement declined.

The limited influence of civil society actors in political and policy processes associated with regional and trade policy is also partly explained by their fragmentation. Potentially, the WSF might have played a role in consolidating disparate organizations and movements. But although it was institutionalized through regular international and regional meetings, the WSF operated more as a global exchange for ideas and informal interaction rather than as a forum

[38] See the Declaración Sociolaboral del MERCOSUR, at www.mercosur.int/msweb/portalper cent20intermediario/es/index.htm, accessed on 9 September 2008.

[39] In 2003, Lula addressed the forum, despite the widespread concern about the participation of heads of state or government. This concern was demonstrated by the refusal to allow Hugo Chávez to participate in the conference that same year (Wasserman 2003).

where coherent organizational and policy strategies were formulated. Key movements and civil society organizations also split vis-à-vis their relation to the Lula government. While the CUT as well as the União Nacional dos Estudantes (UNE) and the Movimento dos Trabalhadores Rurais sem Terra (MST) adopted a critical, but supportive posture toward the government, other organizations gathered in the Coordenação Nacional de Lutas (CONLUTAS) decided to openly confront it.

Unlike some other Latin American countries, the Brazilian state was less subordinated to organized business interests. While certain large corporations and sectoral associations effectively lobbied government and politicians, with individual business leaders being appointed to high executive office, business interests were fairly fragmented, with most business associations representing narrow sectoral interests. In contrast to countries like Chile, Mexico or Nicaragua, the so-called encompassing business associations were relatively weak and did not enjoy close ties with the state (Schneider 2004). And unlike these other countries, business associations did not have a strong grasp of the sort of technical expertise that the state required. They did not play a prominent role in epistemic communities. This situation allowed the state to design and negotiate MERCOSUR and other aspects of trade policy relatively unhindered. Business, however, has long enjoyed significant structural power in Brazil. In a context where technocrats were not only increasingly influenced by neoliberal thinking but, historically, had promoted a liberal investment regime, it was to be expected that the preferences of big business and foreign investors would often guide policy decisions. Threats of so-called exit or capital strikes by foreign capital were also prevalent. This reinforced the priority of macroeconomic stability in a country that emerged as one of the world's largest recipients of FDI in the latter half of the 1990s.

Given the potentially damaging impact on Brazilian enterprises of a rapid opening up to foreign capital and goods, a key question is why domestic business opposition was so limited, particularly from firms or industries that had traditionally benefited from ISI and protection. This may partly be explained by the political variables just mentioned, but also by the fact that many large firms, in particular, stood to gain as well as lose simultaneously from trade liberalization, given the multiplicity of markets—for products, services and so on—in which they were immersed. In a context of economic reform and international competition, some firms restructured by diversifying into other sectors less affected by import competition. Others that could lose in relation to trade policy stood to gain from other policies, such as privatization, and were therefore prepared to associate themselves with policy coalitions supportive of a package of economic reforms that included trade liberalization (Schneider 2004:461).

Implications for policy space and policy coherence

The new economic and political status of Brazil both regionally and globally, the progressive political leaning of the Lula government, and its renewed authority in regional and multilateral trade negotiations, would seem to bode well for policy space and policy coherence conducive to inclusive development. Given the constraints on policy space imposed by both unilateralism and economic stabilization in the early 1990s, as well the Uruguay Round, there has been a significant increase in some aspects of policy space and coherence for more than a decade. Certain institutional developments and, more obviously, official discourse suggest that "regionalism", that is, integration related to a common identity—and not simply "regionalization", that is, trade liberalization—is occurring under the Lula administration. MERCOSUR symbolizes an attempt to reassert subregional power vis-à-vis powerful industrialized countries, in particular, the United States, as well as to promote a variety of developmental and social aspects. Policy space was also apparent in the fact that various aspects of industrial policy continued to discriminate in favour of domestic firms, and some new import-substituting investments were promoted (Lengyel and Ventura-Dias 2004:101–102). Policy space has also been apparent at the level of the WTO, where Brazil has actively used the dispute settlement mechanism and taken a tough bargaining position in the Doha Round negotiations, as it had also done in relation to the FTAA.

Various developments in Brazil's political economy appear to be altering the scope for policy space and policy coherence, albeit in contradictory ways. Democratization re-energized civil society. Social movements like the MST, several large union federations and a civil society that has found its voice through the WSF, NGOization and networking, have gradually pushed recent administrations to broaden the scope of social policy that historically had been skewed toward urban formal sector workers. Through programmes such as Bolsa Familia[40] and Fome Zero, social protection has been extended to rural populations and the urban informal sector. With the election of Lula in 2002, civil society had a national champion holding the highest office. But civil society remained fairly fragmented and lacked the instrumental power to significantly alter policy. There was considerable continuity in economic policy, with some strengthening of social policy (Draibe 2007).

The maturation of electoral democracy and the re-emergence of poverty reduction as a priority issue on the international agenda, have introduced what has been called a market for ideas concerning national poverty programmes and policy competition involving the two leading political parties, Partido do Trabalho (PT) and the Partido da Social Democracia Brasileira (PSDB) (Melo 2007). There are some signs that elements of a "developmental welfare state" may be reasserting themselves (Riesco and Draibe 2007). As Brazil distances itself from traumas of the lost decade of the 1980s and high inflation, plays out its new geopolitical role as a BRIC, and crafts institutions that are more responsive to citizens' concerns and votes, the spaces for developmentalism and a more universal social policy have widened to some extent. On the social front, however, Brazil remains one of the most unequal countries in the world (ranked ninth in terms of the Gini index), with the richest 20 per cent of its population accounting for 61 percent of income and the poorest 20 per cent accounting for 2.8 percent (UNDP 2007).

Other developments in Brazil's political economy are also problematic from the perspective of policy space and policy coherence. Clientelism remains a prominent feature of sociopolitical relations. Efforts to create and strengthen institutions of representative or deliberative democracy confront the major obstacle that "elites tend to create the constituencies that keep them in power and maintain their access to patronage resources" (Montero 2005:8). Furthermore, the instrumental power of organized business has also increased during the past decade. There are some signs that the fragmentation of organized business and firm-level or sector-level lobbying efforts are being overcome or complemented by the emergence of more encompassing business associations where business interests are mobilizing and uniting around common goals. Particularly relevant in this regard has been the lobbying for policy reforms and legislation that would reduce the so-called Brazil cost of doing business in an attempt to enhance the competitiveness of domestic firms (Mancuso 2007). This mobilization had been prompted by the shock that many firms and industries experienced with unilateralism in the early 1990s. The analysis of lobbying "successes" and "failures", as seen from the perspective of business, suggests that organized business has been quite effective either in promoting legislative reforms that may be conducive to competitiveness but which, in some instances, are regressive from a social perspective, or in blocking socially progressive reforms that might increase the Brazil cost (Mancuso 2007). Through the Brazilian Business Coalition, business also sought to overcome its historic exclusion from trade negotiations by coming together to engage proactively in the negotiations associated with the FTAA (Lengyel and Ventura-Dias 2004:115).

What remains to be seen is whether the emergence of a more cohesive business sector results in encompassing business associations that are cognizant of the need for social dialogue and social pacts, and whose positions on policy issues are more conducive to inclusive development, or whether it enhances the capacity of business to engage in rent-seeking and institutional capture.

Despite several developments that bode well for policy space and policy coherence, the fact remains that there is a large gap between official discourse on MERCOSUR and reality. A study

[40] Bolsa Familia is a programme providing income transfers to poor households on condition that they comply with certain health and education requirements.

of the furniture and forest industry in the MERCOSUR region, for example, found that while MERCOSUR had achieved much in terms of tariff reductions and supranational agreements, the socially progressive ideology of MERCOSUR regarding support for small producers had little application on the ground, with the possible exception of Argentina (Gariazzo 2006). Macroeconomic policies in Brazil or the commercial activities of Brazilian companies can have destructive effects in another country for example, with illegal logging in Paraguay, the decline of the Uruguayan furniture industry following the devaluation of the Brazilian currency in 1999, and the dumping of Brazilian products in Argentina (Gariazzo 2006). In addition to the role of ideas, interests and institutions, referred to above, this gap is also explained by structural conditions related to imbalances or contrasts in terms of economic size and structure, the fact that certain industries have been seriously weakened by competition, and the ongoing tendency of market forces and certain government policies to promote patterns of economic growth that are exclusionary, both socially and environmentally.

Chile

In order to understand Chile's current trade and development strategy, the relationships that exist between three elements need to be considered.[41] The first of these is the Chilean economic "success story" that crystallized with the democratic transition and which was orchestrated by the Centre-Left coalition—Concertación de Partidos por la Democracia—in an ambiguous continuity with the legacy of economic liberalization inherited from the Pinochet regime.

The second element is a trade policy exceptionalism, through which Chile has followed a unique strategy of bilateral and plurilateral trade agreements that has resulted in a fundamental tension between the pursuit of potential export markets and regional integration projects. The third is the asymmetrical role of business actors which, institutionalized in the form of private-public formulation and coordination of trade policy, has overdetermined the country's trade strategy and brought forth the limits of the "social pact" which has been essential to the democratic transition. In order to glean how Chile's policy space and policy coherence have been affected by the new landscape of trade regimes sketched above, the main contours of these three elements are briefly considered.

Concerning the first element—the Chilean economic success story—Manuel Castells (2005, 2004) has convincingly argued that the "democratic liberal inclusive model" (1990–2008) that characterized the return to democracy has not only enjoyed more political legitimacy than the "authoritarian liberal exclusionary model" (1974–1989) of the military regime, but, with its lower inflation and unemployment, higher average growth and greater macroeconomic stability, it has also been more economically sustainable and efficient.

For nearly two decades Chile has experienced unprecedented growth and stability (Ffrench-Davis 2003; Messner and Scholz 1997): for example, the country's GDP per capita increased almost 90 per cent during the 1990s. Adjusted for purchasing power parity (PPP), Chile's GDP per capita is among the highest in Latin America, although substantially behind the GDP per capita of Europe and even most of the Asian tigers. Moreover, the fact that during the democratic period, economic growth derived from the productivity of multiple factors (and not just capital and labour), suggests that Chile is approaching a growth model that is characteristic of information societies. Poverty levels declined sharply from 48 per cent of the population in 1987 to 18.8 per cent in 2003 (Illanes and Riesco 2007:399).

Similarly, Michael Porter gives the Concertación's development strategy a nuanced but overall positive assessment (Porter 2005). Porter argues that while Chile is the leading success story in terms of national competitiveness in the region, the country's growth rates have slowed down over time, and when compared to countries outside the region, Chile's performance is less impressive. Similarly, the country's labour productivity, ranked among the highest in Latin

[41] This analysis draws to a large extent on in-depth and semi-structured interviews with 12 Chilean trade policy specialists proportionally representing the private, public and third sector; and the systematic study of official trade documents from these respective sectors.

America, has gradually eroded. And when compared to countries in other regions, Chile has only average achievements both in terms of labour productivity and labour hours. Porter maintains, moreover, that Chile is strong on FDI attraction while weak on patenting.

> Chile has been very successful over a long period of time. The sound institutions and market-driven policies the country has put in place set it apart from many of its neighbours. Chile now has the opportunity to move to the next level, leveraging competitive markets with factor conditions that enable higher productivity and innovation. Chile (and Chilean businesses) has earned the right to be confident that it can be a role model for many countries in the world, not only Latin America (Porter 2005:61).

The development strategy undergirding the Chilean success story was a combination of, on the one hand, an industrial policy that aimed at stimulating the competitiveness of firms and, on the other, a trade policy which gravitated around export diversification and market access (Montero 1997). The fundamental idea driving the Concertación's market socialism was that the country would reap the benefits of the new global economy by developing a higher value added export industry (Silva 2001). This "second export phase" was to be achieved through a partnership between the public and private sectors that gravitated around generating technological innovation and creating competitive advantages.[42] This development model attempted to find a middle path between the market fundamentalism of Pinochet's neoliberalism and the state interventionism of Allende's "Chilean path to socialism". It was an attempt to push beyond the market-state antinomy.[43] The role of SMEs was paramount to this strategy (Monsalves 2002; Alarcón and Stumpo 2000).

SMEs were the basic building blocks of the new microeconomics of endogenous growth. Viewed as more flexible and thus more able to adapt to the rapidly changing environment of the new economy, they replaced the traditional view that the key to development was found in the economies of scale of large national firms (Montero 1997). SMEs pushed the social pact between the public and private sector beyond the logic of big business. As one of the primary generators of employment, SMEs also served as an important link to the more progressive labour issues. Moreover, they provided important normative foundations to the democratic transition being cast as manifestations of the work ethic of the entrepreneurial middle class, the genuine agents of modernization.

Yet, there is an underside to the Chilean success story. With one of the highest Gini coefficients in Latin America—54.9 in 2003 (UNDP 2007:281.)—the country is a paradigmatic case of the trade-off between growth and inequality (Machinea and Hopenhayn 2005; Mesa-Lago 2002). The impressive economic growth Chile achieved throughout the 1990s largely benefited the upper-income segments of the population while earned income distributions deteriorated severely during this period (Riesco 2007a). These critics point toward the poor track record of the Concertación's social policies—and in particular the labour reforms, the national pension programme, and the educational, public transportation and health care systems—as a symptom of the path dependence of the development model of the "democratic transition". Legitimized by the Constitution of 1980 and the binomial electoral system, Chile's transition to democracy, it is argued, is an ideological expression of the neoliberalism of the 1990s (Moulián 2002; Riesco 2007a, 2007b).[44]

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[42] Grounding this strategy was the endogenous growth model that involved new microeconomic foundations of economic growth, and conceptualized development in and through technological innovation and the competitiveness of firms (UNDP 2006; Consejo Nacional de Innovación para la Competitividad 2007–2008 and 2005).

[43] As opposed to classical ISI–driven developmentalism, the state was viewed as facilitating the private sector, and specifically promoting industrial clusters and production networks. Against neoliberal fundamentalism, the market was now conceptualized as a socially embedded structure whose institutionalization had to be properly developed in order to avoid imperfections and failures.

[44] This state of affairs has established a modus vivendi between the Concertación and the Centre-Right coalition, Alianza por Chile, that pushed to the periphery those parties which were to the Left of the Centre-Left such as the Chilean Communist Party, the Chilean Humanist Party and the other members of the recently formed Junto Podemos coalition, which are more aligned with the recent turn to the Left and the rise of alter-globalization sentiments and movements in the region.

Trade strategy

The second element to consider in order to understand Chile's current approach to trade and development is the country's exceptional strategy of bilateral and plurilateral trade agreements. This trade exceptionalism, one of the two pillars of the development model put in place by the Concertación, has been guided by an economic reductionism that has made the country systematically choose economic integration with North America (for example, United States and Canada) and the Asia-Pacific Economic Cooperation (APEC) over economic and sociocultural integration with CAN and MERCOSUR. Consequently, Chile is one of the most isolated Latin American countries from the point of view of regional integration (Riesco 2008; Pizarro 2008, 2005). This isolationism reveals the extent to which the market-socialism of the Concertación was driven by the logic of the Washington consensus (Riesco and Fazio 2006).

The 1973 coup d'état marked a break with the trade and development strategies of the Allende government. The protectionist ISI model was replaced by unilateral economic liberalization exemplified by sharp tariff reductions, an unprecedented opening toward FDI and the rolling back of the developmentalist state (Illanes and Riesco 2007). But perhaps the most significant change during this period occurred in 1976 when Chile withdrew from the Andean Pact (the predecessor of CAN) which it had co-founded in 1969. This isolationism not only characterized the Pinochet regime; it also set the tone for what would become Chile's trade policy exceptionalism with the return to democracy.

In order to overcome this isolationism, during the early years of the democratic transition, Chile attempted to re-establish economic ties with its regional partners and insert itself in what had become the strategically important global economy through a unique strategy of weaving together plurilateral and bilateral trade agreements (Silva Parejas 2006; Ffrench-Davis 2002). ECLAC's principle of open regionalism—which, together with the flexible framework of the Asociación Latinoamericana de Integración (ALADI)—defined the Latin American trade horizon in the 1990s, allowed Chile to cast its trade exceptionalism as being complementary with the unilateral economic liberalization that had been inspired by the "Chicago Boys" and carried over to the multilateral track of the GATT/WTO Uruguay Round (Silva 2004, 2001; Porras 2003).

Under the administration of Patricio Aylwin (1990–1994), Chile re-established relations via bilateral agreements with Latin American countries through the ALADI framework (Porras 2003).[45] Yet, Chile's distance vis-à-vis MERCOSUR and the subregional group that would become CAN was a harbinger of a trade logic that would soon crystallize. The presidency of Frei Ruiz-Tagle (1994–2000) marked the consolidation of Chile's trade strategy during the first decade of the democratic transition. Chile established an Acuerdo de Complementación Económica (ACE) with MERCOSUR in 1996, making it an associate member of the group. The government opted instead for the prospect of full integration into NAFTA, which at the time was viewed as a stepping stone to the nascent FTAA. But since there was a logjam in the NAFTA negotiations, the Frei administration opted to establish separate FTAs with Canada (1996) and Mexico (1998) and to begin to negotiate an FTA with the United States. These two FTAs were seen as a "second best" path to the FTAA.[46]

The election of the former economics professor, Ricardo Lagos (2000–2006), marked the radicalization of Chile's trade exceptionalism. Although an important trade agreement was signed with the European Union (2002), two events would become emblematic of Chile's trade strategy during the Lagos presidency: the signing of the controversial FTA with the United States (2003) (Fazio 2004) and the moving toward the Pacific Rim countries under the

[45] Toward this end, Chile signed a series of Acuerdos de Complementación Económica (ACEs) with countries such as Mexico (1991), Argentina (1991), Venezuela (1993), Bolivia (1993), Colombia (1993), and Ecuador (1994). See *Cuadro Resumen: Acuerdos de Libre Comercio*, www.direcon.cl, accessed in April 2008.

[46] During the Frei administration, moreover, Chile also established FTAs with Peru (1998) and Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua under the Chile-Central America FTA (1999). See *Cuadro Resumen: Acuerdos de Libre Comercio*, www.direcon.cl, accessed in April 2008.

framework of the APEC.[47] Consistent with the trade logic of the period, Lagos would bring his presidency to closure by signing a partial trade agreement with one of the BRICs, namely, India (2006).

There are currently mixed signs: on the one hand, Chile has continued its opening toward APEC by signing an FTA with Japan (2007); on the other, the country has moved toward the Latin American region by establishing FTAs with Peru (2006) and Panama (2006) and by becoming an associate member of CAN (2006). Pointing toward Latin America's frustrated history of regionalist projects and taking issue with the dualism that exists between the discourse and the economic reality of integration, some are sceptical of whether Chile is indeed "returning" to the region, however desirable such a move may be from a developmental perspective (Pizarro 2008; Larraín 2005b).

Others have suggested that the new geopolitical conditions, coupled with increasing domestic discontent with the overall trajectory of the democratic transition, will force future administrations to pursue regional integration and thereby fundamentally break with the Concertación's trade and development strategy (Riesco 2008, 2007a, 2007b). Such a move would in fact reflect the reality of economic integration with neighbouring countries that has occurred in recent decades. Around the turn of the millennium, Chile accounted for the largest share of outward FDI from Latin American and Caribbean countries.[48] An estimated 90 per cent of Chilean FDI was located in Peru and Argentina. Furthermore, this FDI is associated with a diverse range of business sectors (Daniels et al. 2007: 36).

A longer term indication of Chile's future trade strategy will be its role in the UNASUR, the regional integration project that gravitates around the eventual fusion of CAN and MERCOSUR. The national security question concerning Chile's energy dependence is no doubt a strategic reason to turn toward the region, a fortiori, given the fact that the South American Energy Ring project is increasingly being linked to UNASUR.[49] But there is also the new regional context of the turn to the Left and the correlated growing power of domestic civil society groups that are critical of Chile's isolationism. Thus UNASUR might not only improve Chile's energy problems, it might also be a way for the country to adapt to the new geopolitics and appease the growing number of domestic regionalists. Yet, while agreeing that the return to the region is a sine qua non for Chile's future development, some have criticized the UNASUR and ALBA projects for adding additional layers of bureaucracy to what they consider to be an over-institutionalized integration process. According to some observers, however, the idea is not to add more institutional layers and mechanisms but rather to generate the political determination to advance within the already existing subregional frameworks such as ALADI, CAN and MERCOSUR (Frei Ruiz-Tagle 2007).

The role of non-state actors

The third element to consider in order to understand Chile's current trade and development strategy is the central role business actors have had throughout the democratic transition.[50] The steady institutionalization of the partnership between the private sector and the state which has marked Chile's transition to democracy has not only defined the country's development model since the early 1990s, but has also served as the normative conception of democracy that has been used to legitimate the democratic transition itself.

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[47] Under the APEC framework FTAs were established with Korea (2003), China (2005) and New Zealand, Singapore and Brunei Darussalam under the Trans-Pacific Strategic Economic Partnership (SEP, also referred to as the "P4") (2005). See *Cuadro Resumen: Acuerdos de Libre Comercio*, www.direcon.cl, accessed in April 2008.

[48] Excluding Panama and the Cayman Islands (Daniels et al. 2007:36)

[49] Riesco 2008; Rojas Aravena 2007; Silva Parejas 2006:68–69.

[50] Illanes and Riesco 2007; Silva 2004, 2001; Porras 2003; Montero 1999, 1997. All the trade experts interviewed have corroborated this claim.

Chile's trade exceptionalism and, more generally, its attempt to achieve the second export phase have presupposed a convergence between the strategies of private economic agents and the state (Montero 1997). The search for new export markets and the industrial strategy of developing higher value added products was, according to the new economic model, to be achieved in and through the partnership between business actors—specifically the SMEs—and the state.

At the sociopolitical level, this integration of business actors with trade and development strategies was viewed as the new social pact that would bring forth the democratization of the military regime's authoritarian institutions. While the Pinochet regime did favour business interests, it did not, until the economic crisis of 1982, incorporate business actors into the political decision-making process (Montero 1997). The integration of business actors into the trade and development institutions was thus a way of overcoming the "democratic deficit" for the Chilean Centre-Left coalition. In this scheme, the SMEs were to play an essential normative role in the democratizing project: that is, to serve as a counterweight to the instrumental power of large—national and multinational—business interests.

The institutional articulation of the partnership between business actors and the state has intensified throughout the democratic transition.[51] Through pragmatic adaptation and learning by doing, both the public and private sectors have reconfigured their respective institutions in order to facilitate more flexible and decentralized linkages. These linkages have been operationalized through greater collaboration and coordination in trade negotiations and export promotion as exemplified by the mechanism of the "room next door", which became an integral part of Chile's economic diplomacy by the mid-1990s (Porras 2003; Bull 2007). If, for the government, this institutional restructuring was a way of going beyond the classical opposition between the state and the market, for business it was a way of pushing beyond the historical limits of Chilean (neo)corporatism according to which the private sector indirectly interacted with the state via political parties (Porras 2003; Montero 1997).[52]

This institutional articulation has provided stable foundations to Chile's export-oriented development model. The differences and tensions that have existed among and between private and public actors have not been so much about Chile's trade exceptionalism, but rather about how to make this strategy work, in what direction to take it, and how to negotiate trade-offs (Silva 2004, 2001). In the public sector, tensions between ministries have been driven by different views concerning the relationship between economic and geopolitical interests.[53] In the private sector, the different positions of business actors have been driven strictly by economic interests. These include, for example, the strategies of those sectors and firms that target regional markets (in the frameworks of ALADI, CAN and MERCOSUR) and those that target the markets of developed countries (such as Canada, Japan, the United States and the European

[51] Silva 2004, 2001; Porras 2003; Montero 1999, 1997.

[52] Concerning the institutional modifications of the public sector, during the Frei Ruiz-Tagle administration the Ministry of Foreign Affairs' directorate for international economic relations, Dirección General de Relaciones Económicas Internacionales (DIRECON), was restructured into a more flexible matrix organization and was made the governmental clearing house for all matters of trade (Silva 2001; Porras 2003). The Corporación de Fomento de la Producción (CORFO) developed the initiative Proyectos Asociativos de Fomento (PROFOS), which aimed at developing private-public collaborative networks that generated social capital (UNDP 2006). And the export promotion board, Programa de Fomento a las Exportaciones Chilenas (PROCHILE), was granted greater autonomy. In its new capacity, it developed the initiative Proyectos de Promoción de Exportaciones (PPE), which aimed to develop non-traditional exports for new markets (Porras 2003). In addition to these organizational modifications, a series of administrative committees were created to facilitate the decentralized links. These included, for example, the Interministerial Committee for International Economic Negotiations, the Committee of Negotiators, and the Committee for the Participation of the Private Sector (Silva 2001). Similarly, the private sector underwent institutional reorganization. In 1995 the powerful business associations, the Chilean industry federation (Sociedad de Fomento Fabril/SOFOFA), and the Sociedad Nacional de Agricultura (SNA) restructured their respective departments dedicated to trade matters. During this same period the Cámara de Comercio de Santiago (CCS) created the Comité de Empresas Exportadoras de Software y Servicios (CEES) to lobby for the creation of bilateral trade initiatives. And the Asociación de Exportadores y Manufacturas y Servicios (ASEXMA) began to play and increasingly important role in the coordination and representation of the trade interests of the SMEs (Porras 2003).

[53] Thus, for example, the early FTA negotiations with the United States that began during the early years of the Frei Ruiz-Tagle administration were supported by the Ministry of Finance and opposed by the Ministry of Foreign Relations and the Ministry of Economics in the name of regional interests. Similarly, Chile's full integration into MERCOSUR, which began to be seriously considered in 1999, was backed by the Ministry of Foreign Relations and contested by the Ministry of Economics and the Ministry of Agriculture for what they considered to be a potential loss of economic sovereignty (Silva 2001:40–41).

Union), as well as the analysis of the costs and benefits of trade liberalization.[54] Through time, certain organized business interests, such as the Sociedad de Fomento Fabril (SOFOFA), have increased their funding for studies and their capacity to participate in the trade policy process through enhanced technical knowledge and a more proactive stance in policy design (Botto 2010:57). In the process they have increased their influence relative to both some traditional business associations such as the National Agricultural Society and civil society actors (Botto 2010:58).

The institutionalization of the relations between the private sector and the state which has undergirded Chile's democratic transition kept civil society actors at the margins of the country's trade and development strategy.[55] The asymmetrical role of business actors demonstrates the limits of the social pact and points toward a new democratic deficit. For Chilean civil society, this deficit will persist so long as the country's development model rests within the institutional and normative limits of the transition from an authoritarian liberal exclusionary model to a democratic liberal inclusive model. This transition is already complete. A more inclusive development model needs to be developed—one that takes as its frame of reference the deepening of democracy (Garretón 2007; Castells 2005, 2004).[56] For civil society, this new transition can only be realized by expanding the social pact beyond the private-public partnership; it can only be realized in and through the institutionalization of the plurality of civil society actors.

Within mainstream development circles, Chile was a point of reference, a success story and a model of development during the 1990s when the victory of liberal-democratic capitalism and the Washington consensus set the tone and when the FTAA was on the horizon. Chile was, in a way, proof that Southern countries could benefit from the new economy and globalization. The Chilean Left set an example: it had concerned itself more with export-oriented development, achieving a second export phase, and consolidating a social pact, rather than with populism, confrontation and socialistic utopias (Castañeda 2006, 1993).

The crystallization of the anti-globalization movement, the failures of the Washington consensus, the suspension of ALCA, and the shift to the Left in the region have complicated the picture. Chile is one possible model to follow. Others have emerged: for example, the new developmentalism and Bolivarian socialism. In comparison to this new Left, the Concertación

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[54] That is, the analysis of the benefits of new export markets versus the costs associated with the increased competition from imports. Silva (2001:47–64) has perhaps proposed the most methodologically rigorous strategy for grappling with the heterogeneity of business actors and the complexity of the institutional articulation of private-public relations. In order to develop a categorization of products and sectors with similar interests and priorities in matters of trade, she proposes analysing the interplay between, on the one hand, horizontal supra-sectorial and supra-associational groups and, on the other, the vertical relations within the agricultural, industrial and service sectors at different levels of negotiations—that is, multilateral, subregional, bilateral and plurilateral. This approach allows Silva to make the following general observations:

- a tension in terms of trade interests exists between the industrial and agricultural sectors;
- there are deep-rooted protectionist tendencies in certain segments of the agricultural sector;
- there are tensions between those products and sector segments that target regional markets and those that target extra-regional markets; and
- the associations that represent the SMEs have in general been enthusiastic about Chile's bilateral and plurilateral trade initiatives.

More specifically, she categorizes business trade interests and priorities into four groups: (i) historical industries (for example, copper, cellulose/paper and fishmeal) and industries that emerged during the export-oriented phase (for example, gold, furniture and wine) as well as segments of the agricultural sector (such as fresh fruits and salmon) linked to the Cairns Group (the coalition of 19 agricultural exporting countries that promote the liberalization of agricultural trade in the WTO) which export to industrialized countries. This group favours multilateral trade liberalization and supports the deterritorialized FTAs (including Canada, European Union, the United States and Japan); (ii) products (from fishing and agro-industry, as well as methanol) and services that emerged during the export-oriented phase and which are exported to Latin American markets. This group favours regional integration schemes such as MERCOSUR and the ALADI framework; (iii) Industries linked to the ISI initiatives (such as textiles and garments, metal and mechanical and automobile-related goods) which are protectionist in the multilateral context and, to the extent that they target Latin American markets, favour regional economic integration; and (iv) the "sensitive" segments of the agricultural sector (such as sugar, wheat, vegetable oils and meat) that have a protectionist posture at all levels of trade negotiations.

[55] Silva 2004, 2001; Porras 2003; Montero 1999, 1997.

[56] That is, the project of imbuing the democratic institutions with the economic, social and cultural content that would make them meaningful in the context of the everyday life of citizens.

appears exceptionally moderate; and its development strategy, a subtle form of neoliberalism that has manifested itself in projects of deep integration. From the point of view of ALBA and even CAN and MERCOSUR, Chile's economic success has been realized at the cost of sociocultural solidarity that is a feature of Latin American integration. In this context, moreover, the more progressive elements of Chile's civil society are increasingly challenging the weight of business actors and attempting to redefine the social pact that emerged with the democratic transition (Mejido Costoya 2006). This was the situation that confronted the Bachelet administration prior to the elections that ushered in the Centre-Right government of Sebastián Piñera in March 2010.

Implications for policy space and policy coherence

How, then, have Chile's policy space and policy coherence been affected by this shift? The strategy of weaving plurilateral and bilateral trade agreements has been an attempt to maximize its policy space given, on the one hand, the country's subordinate position as a developing country in multilateral negotiations and, on the other, its position as one of the most developed countries in Latin America. In light of the Chilean interpretation of open regionalism, this trade strategy has been understood simultaneously as a second best alternative to multilateral trade liberalization and as an attempt to construct competitive advantages that push beyond the comparative advantages within the region.

As regards policy space, Chile finds itself treading a difficult path. It can be argued that Chile has enjoyed a degree of policy space since the return of democracy, to the extent that the path of economic liberalization and export orientation was the strategy of a broad-based pact among political parties, the technocracy and business interests. These a consensus, maintained over several administrations, as well as close public-private cooperation between government agencies and various business associations, facilitated trade policy implementation (Silva 2004:43). Furthermore, various policies cohered to pursue this path in a manner that attempted to minimize economic and social contradictions. Such policies included, for example, controls on short-term capital flows and the re-assertion of elements of a developmental welfare state, reflected in significant increases in public and, in particular, social spending, as well as infrastructure projects (Illanes and Riesco 2007:399). But free trade agreements, particularly the one with the United States, imply the type of deep integration that also constrains policy space.

With regard to the question of policy coherence, there are considerable grounds for concern. The normative, developmental and regulatory orientation of the government since the restoration of democracy has been constrained by the instrumental power of large foreign and national corporations and business associations, as well as the effective veto power that Rightist parties in Parliament enjoy under the 1980 Constitution (Illanes and Riesco 2007). In relation to trade policy itself, key civil society actors, such as trade unions, have had relatively little influence, and for much of the post-Pinochet era, congressional participation has been limited (Silva 2004 :36). Furthermore, there are growing concerns within the country that there is a critical point where the pursuit of deterritorialized FTAs and the plurality of trade regimes undercuts the development possibilities generated by the dynamic of complementarity and compatibility related to regional integration.

With the turn to the Left in the region and the emergence of projects such as ALBA and UNASUR, the coordination of policies to achieve inclusive development are increasingly implying regional cooperation.[57] Chile's energy predicament could be understood from this perspective. This changing context, as well as the more assertive role of congressional bodies and critical public debate (Silva 2004; Illanes and Riesco 2007), explains why the Bachelet administration began moving toward the region. In other words, perhaps today it makes more

[57] The second article of the Constitutive Treaty of UNASUR states: "The objective of the South American Union of Nations is to build, in a participatory and consensual manner, an integration and union among its peoples in the cultural, social, economic and political fields, prioritizing political dialogue, social policies, education, energy, infrastructure, financing and the environment, among others, with a view to eliminating socioeconomic inequality in order to achieve social inclusion and participation of civil society, to strengthen democracy and reduce asymmetries within the framework of strengthening the sovereignty and independence of the States".

sense for Chile to sacrifice potential economic gains with APEC countries or the BRICs in order to establish stronger sociocultural, geopolitical and embedded economic ties with MERCOSUR, CAN and UNASUR.

Nicaragua[58]

Nicaragua's contemporary trade regime centres on three main pillars, including the Central American integration process (for example, the Central American Common Market and Customs' Union), free trade agreements—the most relevant being the Dominican Republic and Central American Free Trade Agreement with the United States—and ALBA. The multilateral WTO Doha Development Round negotiations, though still important—particularly regarding the dismantling of developed countries' agricultural subsidies and the importance of protecting a number of agricultural products key for food and livelihood security, and rural development (as in the case of special products in agricultural negotiations)—have in practice taken a back seat. Regional and bilateral trade negotiations and integrationist schemes have, in contrast, become a priority in light of the enhanced market access they offer.

Since the Sandinista Revolution in 1979, Nicaragua has undergone profound political, economic and social transformation. During the Sandinista era of the 1980s, the Nicaraguan economic development strategy was largely based on an agro-industrial model of development, whereby primary agricultural production would be processed internally to serve as a basis for further industrialization and modernization of the economy. At the time, national production focused mainly on basic consumer goods such as food, clothing and housing. This translated into an expansion of both spending capacity among the "popular" classes and inflation, pushing the economy into recession. Land reforms and the confiscation of property owned by members and supporters of the Somoza regime were also conducted. Expropriation, however, went beyond Somocista-owned land and property to be redistributed among workers and peasants, creating a long-lasting animosity between business representatives and the Sandinista government (Sholk 1984).

The emergence of the Sandinista regime also impacted on state and civil society relations. Civil society, which under the Somoza dictatorship was mainly nonexistent, thrived during the 1980s. Mass organizations like the Federación de los Trabajadores de la Salud (FEDSALUD), the Asociación de Mujeres Nicaragüenses Luisa Amanda Espinoza (AMNLAE), and the Asociación de Trabajadores del Campo (ATC), among others, began to emerge (Borchgrevink 2006). By and large, however, these organizations were hardly autonomous from the party's official political line.[59]

The 1990s dramatically changed Nicaragua's social and economic environment. Indeed, one of the most transformative reforms of this decade would be the transfer of economic power from the state and workers to the national economic elite through privatization. The government of Violeta Chamorro (1990–1997) created the General Junta of the National Public Sector Corporation to lead the privatization of state-owned and confiscated property. Although the government agreed to leave up to 25 per cent of ownership of each of the privatized enterprises in the hands of the workers in order to ensure political stability and promote entrepreneurship, this seldom materialized. Many of the agricultural lands and agro-industrial plants producing cotton, coffee and beef, among others, were returned to their former owners. In contrast, the lands given to the workers in this context were rarely legalized (Equipo Envío 1991), making it extremely difficult for workers to be eligible for loans and credit.[60]

[58] For a more in-depth analysis of the Nicaragua case, see Carrión (2009).

[59] After the electoral defeat of the Frente Sandinista de Liberación Nacional (FSLN) in 1990, nonetheless, former Sandinista mass organizations had to rethink their roles in relation to both the new party in power and the FSLN. As a result, they reaffirmed their identities and relative autonomy from the FSLN. They held internal elections to choose their leadership for the first time and elaborated their mobilization agendas according to their members' demands and interests (Borchgrevink 2006:20). Currently, though, these organizations have become closer to the FSLN, now in power, creating important divisions within Nicaraguan civil society.

[60] Furthermore, public financing directed to agricultural small and medium production through the Banco Nacional de Desarrollo (BANADES) was discontinued during this time, greatly weakening the economic and political position of these actors. Between 1990

Throughout this and subsequent administrations of Arnoldo Alemán (1997–2002) and Enrique Bolaños (2002–2007), Nicaragua's major economic and social policies did not differ from those pursued by many other developing countries in Latin America and Africa, which implemented structural adjustment policies[61] promoted by the IMF, the World Bank, regional development banks and donor governments. These reforms, along with Nicaragua's particular political and economic situation at the time, caused deep economic and social divisions.

Without exception, the three neoliberal administrations subscribed to the powerful axiom which claimed that trade liberalization would automatically generate economic growth and, therefore, development. Accordingly, they placed attracting FDI and finding new market access for national exports at the core of their economic policies. Nicaragua along with other Central American countries dismantled tariff and non-tariff barriers to trade in the early 1990s, reducing its simple most favoured nation (MFN)[62] tariff average from 43.2 per cent in 1990 to 4.2 per cent in 1999. Furthermore, governments in the region turned their interest to the negotiation of regional and bilateral trade agreements in order to consolidate the expected gains from trade liberalization and secure the preferential market access unilaterally granted by major trade partners like the United States (for example, through the Caribbean Basin Initiative).

The 2007 national elections, nonetheless, returned former President Daniel Ortega, leader of the Frente Sandinista de Liberación Nacional (FSLN), to presidential office. Today, Nicaragua finds itself in a somewhat bipolar situation, having signed in 2005 the DR–CAFTA with the United States, led by George W. Bush, and having joined, shortly after Ortega's election, ALBA promoted by Venezuela, led by Hugo Chávez. Such a mélange of ideological and developmental approaches speaks volumes for both the unconventional paths to trade and integration pursued by the resurgent Left and the reality of low-income aid- and trade-dependent economies that are prone to accept whatever is on offer.

Trade strategy

Trade regimes in Nicaragua, then, have changed profoundly in recent decades. During most of the Sandinista Revolution, Nicaragua suffered a US economic embargo. Trade relations with the Soviet Union, Cuba and some European countries strengthened. By 1989, however, Nicaragua began to introduce a number of structural adjustment measures. During this time, an FTA between Nicaragua and Mexico was negotiated (Marchetti and Mendoza 2005) and the path to trade liberalization began. In the 1990s, trade flows began to change.[63] Indeed, the United States and other Central American countries re-emerged as important trade partners.

Prior to DR–CAFTA, Nicaragua received trade preferences unilaterally granted by the United States through the CBI. Under the CBI, Central American countries received preferential access to the US market for approximately 80 per cent of their exportable products. The CBI, and the Caribbean Basin Recovery Act (CBRA) within it, granted duty-free access to products such as electronic assembly, wood products, handicrafts, fresh and frozen seafood, tropical fruit and ornamental horticulture. In exchange, 35 per cent of the total value added of exports had to be generated in the Caribbean Basin (Sánchez-Ancochea 2008:174). Textiles and clothing were, however, excluded from the duty concessions until 2000. With the beginning of the millennium, the United States "allowed countries to export a limited amount of items made from knit fabric produced in the domestic economy with U.S. yarn" (Sánchez-Ancochea 2008:174).

and 1992, the number of peasant families that received credit dropped from 97,217 to only 34,684, excluding most small producers (Spoor 2000:19).

[61] These included privatization, trade and capital liberalization, macroeconomic stability and decreasing social spending.

[62] The MFN clause is a founding WTO principle, which states that under the WTO agreements, countries cannot normally discriminate between trading partners (WTO 2008).

[63] Exports to Europe, which by 1985 reached 35.8 percent of total exports, dropped to 31.8 percent by 1995. In 2002, trade flows with Europe reached only 10 percent of total exports (CEPALSTAT 2008).

In 2004, Nicaragua and the rest of the Central American countries entered into negotiations with the United States, culminating in the DR–CAFTA. At its core, DR–CAFTA is a regional agreement which strikes the crucial bargain that Shadlen (2005) flags: enhanced market access in exchange for more stringent commitments in areas such as intellectual property, services, investment, government procurement and so on. In Nicaragua, DR–CAFTA legalizes a process of liberalization and economic integration, which began in the 1980s in Central America and in the 1990s in Nicaragua (Marchetti and Mendoza 2005). At a regional level, DR–CAFTA consolidates Central America's New Economic Model (NEM). According to Sánchez-Ancochea, the NEM in Central America rests on three dominant pillars: (i) the liberalization of trade and capital accounts; (ii) domestic deregulation, particularly in the financial sector; and (iii) privatization of key public corporations and a reduction in the state's involvement in the economy (Sánchez-Ancochea 2008:176).

Under DR–CAFTA, Nicaraguan beef, sugar, and textiles and clothing were the major "winners" as export quotas to the US market were opened for these particular sectors. However, although tariffs will phase out progressively for most products, major barriers for Central American exports, like US agricultural subsidies and sanitary and phytosanitary measures, were not addressed in the agreement. Moreover, a chapter on cooperation and technical assistance was included in order to deal with the economic asymmetries between Central American and US economies. The level of financial commitments made by the US government in DR–CAFTA, however, has not yet been honoured.

ALBA, for its part, emerged as an alternative regional integration scheme to the FTAA promoted by the United States. Ideologically, it is aligned with the critique of neoliberal integrationist projects and the policies and institutions of the Washington consensus. Discursively, ALBA emphasizes dimensions of development associated with social justice as opposed to the good governance agenda of the post–Washington consensus. According to Orlando Núñez (2007), social advisor to the president, there are contradictions between democracy and social justice that manifest themselves both in neoliberal development strategies and ALBA. According to this perspective, previous neoliberal governments in Nicaragua promoted a good governance agenda that discursively focused on electoral democracy, consultative processes with selected civil society organizations and transparency. This agenda, typical of contemporary capitalist democracies in the Global South, failed to address issues of social justice and effectively deal with poverty reduction (Núñez 2007). In the past, Núñez argues, the FSLN was concerned with attaining social justice objectives and paid less attention to the means used. Now, however, "we [the government] are trying to attain social justice within a democratic context. Sometimes, democracy [in the good governance sense] and social justice might coincide, but a tension will always exist between the two" (Núñez 2007:16).

Therefore, in order to attain the objectives of social justice, the newly elected administration might resort to processes and schemes which, according to Núñez, proponents of the good governance agenda may not necessarily consider democratic. These tensions have already begun to emerge. Moreover, for Núñez, the coexistence of both ALBA and DR–CAFTA illustrates the tension:

> CAFTA–ALBA is a contradiction we [the government] will have to manage. We have more sympathy for ALBA and cooperation comes from ALBA, not DR–CAFTA.We, however, see the reality and administer the contradiction. It is not a matter of hiding these options, but learning how to manage the contradictions they generate (Núñez 2007:19).

Nicaragua joined ALBA on 11 January 2007, a few days after Ortega took office. Two months later, the National Assembly approved a total of five decrees authorizing cooperation in areas including energy, agriculture, health and the setting up of a macrolevel framework for cooperation led by a High Level Mixed Commission composed of the foreign affairs ministers of Nicaragua and Venezuela. The commission was tasked with coordination and follow-up of the implementation of the cooperation agreements (Oquist 2007).

Since the approval of the decrees, action has been taken regarding the development of alliances with business actors, the formation of potential telecommunications' *grannacionales* and the importation of agricultural inputs—for example, fertilizers such as urea—at cheaper rates, which is crucial for agricultural production. However, tensions have arisen with other prominent actors in the food system. The Federación Nacional de Cooperativas Agrícolas y Agroindustriales (FENACOOP), for example, was concerned about differential pricing of urea at the national level, while large retailers of fertilizers, grouped under the Asociación Nicaraguense de Formuladores y Distribuidores Agroquímicos (ANIFODA), which hitherto had controlled the distribution of fertilizers, announced in February 2007 that it would stop importing urea since the cheaper Venezuelan urea represented "unfair" competition (Cáceres 2007).

Moreover, Nicaragua's adhesion to ALBA has been largely the result of a top-down political decision made by the newly elected president. As such, and in light of what Núñez referred to as the tension between democracy and social justice, consultations held with Nicaraguan non-state actors and society were largely restricted to the electoral campaign process and social movements allied to the FSLN. They bore little, if any, resemblance to the dialogues with civil society characteristic of the good governance agenda in general and the DR–CAFTA process in particular. This situation could run the risk of undermining the long-term sustainability and inclusiveness of ALBA.

The role of non-state actors

The political economy of DR–CAFTA shows that even small, low-income and dependent countries can and do use their negotiating space in the formation of international trade regimes. However, power differentials dictate the boundaries of this negotiating space. In DR–CAFTA, the government's negotiating position was heavily influenced by neoliberal ideology and by business associations. Nicaraguan business is a central, though highly diversified, player in national economic policy making. Its most powerful branch has organized, more or less effectively, to strengthen and expand its role. The privatization of national industries, the deregulation of capital investment, and a growth in export-oriented activities in the context of neoliberal reforms were fundamental in increasing the political prominence of business.

In the 1970s, three major economic groups dominated the political and economic spheres, including the Grupo BANIC, Grupo Banco de América and Grupo Somoza. These groups owned a series of companies linked to finance, housing, agroindustrial activities (for example, coffee, sugar, beef and fertilizers), and importation of machinery, vehicles, and so on (Mayorga 2007). These groups maintained close ties with the dictatorial Somoza regime, even playing important roles in political campaigns in support of Somoza's Liberal Party.[64] By 1978, however, conflicts between the Nicaraguan economic elite and the Somoza regime became apparent.[65]

When the Sandinistas came to power in 1979, the popular inclination of the regime generated animosity among the Nicaraguan business elite.[66] The participation of the state in the economy rapidly expanded.[67] Dispossessed of their major sources of economic power, some actors like

[64] Both Eduardo Montealegre Callejas, leader of BANIC, and Ernesto Fernández Hollmann, leader of Banco de América, directed fundraising campaigns in 1967 and 1974, respectively, to support the candidature of Anastacio Somoza Debayle (Mayorga 2007:39).

[65] The alliance deteriorated when the Somozas used the system to exclusively expand their personal wealth, which increased from $50 million in the 1950s to more than $500 million in 1979 (Booth and Walker cited in Sánchez-Ancochea 2007:23). This sparked indignation among the Nicaraguan elite, who allied with the FSLN to fight against Somoza.

[66] The Sandinistas carried out land reforms and confiscated property owned by members and supporters of the Somoza regime (Sholk 1984). By 1988, land in the hands of big business had been reduced to 6 per cent of the total whereas 40 per cent was occupied by small and medium enterprises (Mayorga 2007:43).

[67] The state owned 20 per cent of the production of agricultural commodities, 25 per cent of manufacturing, 70 per cent of construction, 30 per cent of trade, and 100 per cent of financial services (Mayorga 2007:42).

the Grupo BANIC disappeared and others like Banco de América went offshore. The latter would give rise to other economic groups, strengthened since the 1990s. In the 1980s, however, the major business groups of the Somoza era had practically disappeared, except for a few enterprises such as the Nicaraguan Sugar Estates, the Nicaraguan Liquor Enterprise and others owned by the powerful Pellas Family. Moreover, Nicaragua's Supreme Council for the Private Sector (COSEP), which in the 1970s had a key economic and political role, was weakened though it maintained a vocal opposition to the Sandinista regime (Mayorga 2007).

During the 1990s, neoliberal reforms conferred structural power to business groups, which changed the rules of the game, previously set by the Sandinista Revolution. These reforms would displace organized workers as key economic and political players. Monopoly concessions in energy and telecommunications services were given to business, to the detriment of workers.[68] Additionally, the government granted licenses to the economic elite for the establishment of private banks, insurance companies and the development of investment banking. By 1991, the banks—which currently represent 92 per cent of national financial system assets (Mayorga 2007:70)—emerged, including the Banco de América Central (BAC), Banco de la Producción (BANPRO), Banco de Finanzas (BDF), Banco de Crédito Centroamericano (BANCENTRO), and Banco UNO.[69] The power of these groups did not, however, cement itself until the unrestricted liberalization of financial markets allowed capital and economic power to be concentrated mainly in their hands.[70] As trade liberalization and agroindustry were restored, these groups consolidated their presence at the national and regional levels not only in finance, but also in other economic activities including trade, services and agroindustry.

The growth of regional and transnational economic ties has been particularly central to creating a new political dynamic that greatly accentuates the sway of business, but also redefines the players. In the context of globalization and regional integration, Nicaraguan business, along with its regional counterparts, has expanded its activities beyond national state boundaries and into neighbouring countries. These groups include the Grupo Gutiérrez in Guatemala that owns large food chains, the Salvadorean Grupo Poma and Grupo TACA, with investments in tourism and hotels and regional airlines, and the Nicaraguan Grupo Pellas, with financial services, such as the Banco de América Central (Bull 2005). These groups have become more integrated at the regional level through joint ventures, direct investment and buying competitors particularly in areas such as finance, real estate projects like housing, business and shopping centres, and the commercialization of cars (Segovia 2005).

Parallel to the integration of Central American business groups, transnational capital has also emerged as a powerful player. The FDI in the region has increased[71] since 1990, especially in the services sector (including energy, telecommunications and *maquiladoras*). In the case of Nicaragua, FDI in the tertiary sector increased from $20.3 million in 1991 to $207 million in 2000 (UNCTAD 2007b). Furthermore, the United States still maintains a stronghold as the country's major trade and investment partner even though countries like Spain, the Republic of Korea and Taiwan Province of China have also become important FDI providers.

In the context of DR–CAFTA negotiations, Nicaraguan business participation was crucial to the creation of a national negotiating agenda and strategy based on knowledge sharing with the negotiating team. In exchange, business associations exerted direct influence in the negotiations through formal (for example, the "room next door") and informal mechanisms (such as lunches

[68] In 1995, during the privatization of Enitel, the state-owned Nicaraguan telephone enterprise, 11 per cent and 49 per cent of assets belonged to the workers and the state, respectively. However, by 2002, both of these parts were sold to foreign investors (Mayorga 2007).

[69] By the end of 2005, the total assets of these banks were: BANPRO: $775.8 million; BANCENTRO: $623.1 million; BAC: $519.3 million; Banco UNO: $247.2 million; and BDF: $368.7 million (Mayorga 2007:70).

[70] These economic groups became what Mayorga (2007) calls the Nicaraguan megacapitales.

[71] From 1990 to 1994, FDI in Central America averaged $577 million, but between 1995 and 1999 it increased dramatically to $2,039 million (ECLAC 2002). Between 1997 and 2001, the annual average of FDI in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua was $1.6 billion. That average increased to $1.9 billion between 2002 and 2006, but the upward trend is perhaps more acute; in 2005 those countries received $2.2 billion and in 2006, they received $2.6 billion (ECLAC 2006).

and conversations over the phone or in corridors). Indeed, the pro-business inclination of the Enrique Bolaños administration (2002–2007) was crucial to the preeminent role that business associations played during the negotiations.

The extent of their influence, however, varied according to the size and importance in the economy of the sector they represented (for example, the sugar sector versus small and medium white corn producers); their capacity to mobilize financial resources in order to lobby the government; the level of access to technical knowledge (for example, both the sugar, and textile and clothing sectors hired foreign consultants to help them craft their different "negotiating scenarios"); the relationship they had and fostered with the negotiators; and the presence or absence of transnational capital in particular sectors. Ultimately, their influence was confronted with limits related to the structural power of the United States Trade Representative and key US industry and agro-industry lobby groups, as in the case of the textiles and clothing sector (see below). Even though the structural power of the United States and the heterogeneity of the Nicaraguan business community demarcated the role of business in DR–CAFTA negotiations, its influence far outweighed that of civil society actors who were also engaged in the process.

Nicaraguan civil society is a highly diversified, disaggregated and fragmented player. The neoliberal policies of the 1990s and beyond have profoundly weakened and divided it. Moreover, the emergence and increasing importance of aid donors and development agencies in developing countries, the downsizing of the state and the disillusionment of many FSLN members with the party leadership have, to a large extent, been the drive behind the increasing "NGO-ization" of Nicaraguan civil society. Civil society actors have diversified and now include old and new social movements as well as NGOs.

As the state rolled back from areas that had traditionally been its realm, and international aid donors and development agencies gained a pre-eminent role in development discourse, the composition of civil society changed. "Development agencies positioned themselves as 'knowledge agencies', attempting to enhance their role as intellectual actors and to be more responsive to 'local knowledge' and the 'voices of the poor' and the needs and realities of developing countries" (Utting 2006:2). In Nicaragua, this translated into the wide availability of donor funds for local organizations that worked on social issues and projects. NGOs flourished. The number of organizations formally registered increased from 150 in the 1980s to approximately 300–400 in 2006[72] (Borchgrevink 2006:22).

NGOs became important professional spaces for former Sandinista government employees who in 1990 lost their jobs and wanted to continue their altruistic activities. NGOs were also important for those who, in the context of the 1994 division of the FSLN—which gave rise to the Movimiento de Renovación Sandinista (MRS)—wanted to distance themselves from the party, but still maintain a presence in national non-partisan political processes. NGOs rapidly gained space in the Nicaraguan political and organizational landscape, while mass organizations and grassroots movements (that is, peasant movements and workers unions) weakened.

New social movements have also emerged. Particularly relevant are the Movimiento Maria Elena Cuadra working mainly on women's labour rights in Export Processing Zones, the Red de Mujeres por la salud (Network of women for health), the Red de Mujeres contra la violencia (Network of women against violence), and the Movimiento Ambientalista Nicaragüense (Nicaraguan environmental movement). During DR–CAFTA negotiations, the Movimiento Maria Elena Cuadra, along with other movements and organizations, joined one of the blocks that emerged. Indeed, in DR–CAFTA, Nicaraguan civil society divided into two camps: the Iniciativa CID,[73] which participated and lobbied the government during the negotiating process,

[72] This is only a conservative estimate since several NGOs have not formally registered or been given a formal status.

[73] In Nicaragua, Iniciativa CID actors included FENACOOP, Unión Nacional de Agricultores y Ganaderos (UNAG), the Centro Humboldt, an environmental NGO, and Central Sandinista de Trabajadores–José Benito Escobar (CST-JBE).

and the Anti–CAFTA movement.[74] In DR–CAFTA, Iniciativa CID organizations made a series of proposals on most of the pillars of the negotiations along with a complementary agenda that aimed to secure certain benefits for small producers and protect traditional knowledge and access to generic drugs.

Divisions within civil society, power differentials vis-à-vis Nicaraguan business and the United States, and lack of expertise and lobbying capacity, however, ultimately constricted the policy influence of both Iniciativa CID actors and the Anti–CAFTA movement. At the end of the day, only a very watered-down version of these proposals made it into the final text. Furthermore, a strong media campaign led by the Nicaraguan government largely weakened the Anti-CAFTA movement. The campaign was called "CAFTA, our bridge to progress". Its strategy rested on creating short slogans linking DR–CAFTA to positive ideas like "DR–CAFTA = more FDI, more exports, more employment, more quality products, and more opportunities for SMEs" (Fonseca-López 2007).

Formal political backing for civil society demands was also weak, even from an apparent natural ally like the Sandinista party, which adopted a pragmatic stance on DR–CAFTA. This pragmatism derived partly from a desire to lock in trading arrangements that could not be destabilized so easily for ideological reasons, should the Sandinistas return to power, as indeed they did a few months later. But pragmatism also related to the fact that DR–CAFTA became part of a political game where support for or against the agreement became entangled with the issue of political alliances and divisions in the run-up to elections. It was also facilitated by the considerable property and other business interests that some party officials or their families had developed in the previous decade (Rodgers 2008), precisely in areas that stood to benefit from DR–CAFTA, such as textile and clothing maquiladoras and the agro-industry.

Implications for policy space and policy coherence

Although identifying impacts of both DR–CAFTA and ALBA could be premature, it is possible to discuss the potential implications for policy space and policy coherence that these regimes could entail, given, in particular, some specific commitments agreed upon in DR–CAFTA (such as IPRs and investment) and the early initiatives related to the implementation of ALBA.

Power imbalances vis-à-vis the United States in DR–CAFTA severely limited policy space. In these negotiations, Nicaragua's negotiating space, like that of other Central American countries, was essentially restricted to the market access pillar. The Central American players were unable to set the agenda for the other pillars, which were central to the political-economic bargain of DR–CAFTA: enhanced market access in exchange for more stringent commitments in IPRs and investment rules, as well as for areas such as services and government procurement.

In the case of IPRs, DR–CAFTA further limited the definition of what constitutes a national health threat in relation to the TRIPS Agreement, potentially curtailing the autonomy of Central American governments to allow parallel imports of generic drugs. Likewise, it allows for the patenting of plant and animal varieties as well as crucial genetic material. This could in the future lead to the privatization of Central America's rich biodiversity resources and traditional knowledge, which have until now been a common good.

In the case of investment, host countries can no longer use some of the tools that have been central to East Asian countries' development, such as local content (the ability of host governments to demand a certain percentage of locally produced inputs in the production process of foreign investors), performance requirements of FDI in order to receive incentives and tax breaks granted to national economic actors, and technology transfer. This will consequently have clear implications for the ability of Central American governments and policy makers to foster in the future creative state-craft and the use of policy space to generate

[74] Some actors involved were the Centro Nicaragüense de Derechos Humanos (CENIDH), along with other social movements like the Movimiento Maria Elena Cuadra.

the synergies from industrial and other supply-side policies responsible for the growth levels that developed and more advanced developing countries have experienced.

Even within the market access pillar, space for negotiation has shrunk in the midst of powerful business lobbying groups in the United States. Hence, Nicaragua's major outcome in the negotiations (the 10-year special and differentiated rules of origin regime for textiles and clothing, which allows it to import fabric and other inputs from China) was eroded when DR–CAFTA came before the US Congress for approval. The two textile and clothing associations were in charge of striking the "new deal" in extra-official DR–CAFTA negotiations. This translated into a one-to-one rule, which has allowed the Nicaraguan textile and clothing sector to import inputs from China, but also has required that those imports match the volume imported from US textile producers on an annual basis.

The case of Nicaragua illustrates clearly the problem of policy incoherence associated with the liberalization of trade regimes, namely, that such liberalization allows regionalized business groups and transnational corporations to reap immediate demand-side benefits by exporting to and investing in developing countries, while supply-side constraints restrict the capacity of some sectors in developing countries to benefit. For most Nicaraguan SMEs, access to roads, technology and innovation, credit, and productive inputs are a profound challenge to their effective participation in national and international markets.

Likewise, the lack of a productive structure that inhibits the creation of economies of scale among SMEs clearly limits their ability to compete with other regional and international players and respond to potential product and quality demands from international partners and importers. It is thus essential to deal with supply-side constraints at the national and regional levels to enhance the competitiveness of Central American SMEs. This suggests the need to go beyond the type of complementary agenda, which had been proposed by certain civil society organizations during the DR–CAFTA negotiations, by promoting what might be termed a macro complementary agenda, geared to address these structural limitations and strengthen the potential losers from trade liberalization. This is key to ensure a more equal distribution of costs and benefits among economic and civil society actors and, subsequently, a better insertion of Nicaragua into the world economy.

Discursively and conceptually, alternative trade regimes like ALBA embody issues of regional and national asymmetries, fair trade, solidarity, support and finance for small producers and enterprises, and sovereignty among its members. It would seem, therefore, that such a regime could be supportive of a macro complementary agenda in Nicaragua. It is critical to analyse more closely, however, how ALBA is being implemented at the national level.

Early indications suggest that significant developments have occurred on the social front but that issues of transparency and accountability undermine performance and legitimacy. Regarding social developments, under the terms of the Alba agreement, 50 per cent of the oil revenues are paid to the Venezuelan oil company PDVSA within 90 days, 25 per cent to the ALBA fund of the member countries that supports social and infrastructural projects, and 25 per cent is provided as credit at concessionary interest rates, mainly to rural cooperative producers, cattle farmers and small farmers. The financial entity AlbaCaruna, which had managed both these funds reported in mid-2008 that specific initiatives had involved approximately 170,000 beneficiaries. AlbaCaruna supported the Streets and Houses for the People programmes, artisanal fishing on the Atlantic coast, cattle-rearing involving 1,675 producers, provision of fair-priced urea benefiting 8,000 farmers and, in collaboration with the Ministry of Agriculture, the distribution of seeds and inputs to 87,000 families involved in the small farmer programme (Jacobs 2008) At the macro level, ALBA also reportedly contributed to mitigating the socioeconomic effects of the global food and energy crisis in 2007 and 2008 (ECLAC 2008:122), through, for example, cheap oil imports, rural credit and fertilizer. In 2008, the agricultural sector recorded strong growth of 7 per cent (ECLAC 2008:123).

As mentioned earlier, serious concerns have arisen regarding issues of transparency and accountability. Since the basis of the ALBA agreement in Nicaragua involves a contract between two state-owned enterprises—PDVSA of Venezuela and Petronic of Nicaragua—funds are not subject to comprehensive legislative budget scrutiny and reporting. Concerns have also arisen regarding the partisan use of funds and the difficulties of obtaining information about the specifics of the agreements, implementation and performance (Bendaña 2008), as well as unfair competition (Cáceres 2007).

It will thus be essential to establish participation and accountability mechanisms that ensure both inclusive consultation processes with the different sectors of Nicaraguan society and the levels of legitimacy that an instrument of this nature requires. Serious questions also arise about the sustainability of an initiative that is so political in nature and may last as long as the current presidential incumbents remain in office. ALBA's potential to tackle structural limitations of the Nicaraguan economy should thus be assessed in the short, medium and long terms. While it is possible that there may be a reaction on the part of the United States to closer ties between Ortega and Chávez, at the time of writing, there is a fairly broad consensus among societal actors and observers in Nicaragua that DR–CAFTA and ALBA are potentially complementary.

Finally, aid from donor countries can also facilitate or undermine policy coherence via conditionality and the scale and distribution of flows. Here the picture seems quite mixed. Venezuela has suddenly emerged as a major donor, with aid being channelled toward economic and social projects and programmes associated with small producers, cooperatives and energy infrastructure. While not tied in the traditional sense, Venezuelan aid is part and parcel of a geopolitical project that runs the risk of antagonizing Nicaragua's other major donor and trading partner, the United States. In the meantime, USAID is following through with aid programmes agreed to with the former neoliberal government which are geared toward export promotion and eliminating certain supply-side constraints. Another major donor, Sweden, which has long played a crucial role in supporting social development in Nicaragua, has announced its intention to stop giving aid. Ironically, it was Sweden that championed the concept of policy coherence and encouraged other donors to do the same.

Conclusion

The preceding case studies confirm the observations made earlier about significant variations in the application of neoliberalism at the country level. These cases further illustrate the ideological decline of the Washington Consensus in Latin America, the emerging comeback of the state in economic planning and social policy, and an increasing demand for redistributive policies that could potentially result in more inclusive patterns of development.

While such developments appear consistent with the so-called turn to the Left, the case studies also suggest the need to nuance such a characterization. Contemporary strategies combine market and developmentalist approaches that challenge classical antinomies in matters of trade and development. Moreover, the characterization of the two Lefts—exemplified by the moderate Chilean Concertación and the MAS government of Evo Morales—which has been used as a way of conceptualizing the reconfiguration and resurgence of the Latin American Left, appears to be losing its heuristic power in relation to trade regimes. By weaving together FTAs and regional initiatives, Latin American countries are pushing beyond the bipolar trade logic implicit in this characterization. Nevertheless, it is important to note that the deep integration agenda has not stalled. Indeed, Central America is currently negotiating a partnership agreement with the European Union, and the respective FTAs between Colombia and Peru with the United States have also been signed.[75] Given the current global economic

[75] However, in the case of the FTA between the United States and Colombia, labour regulation remains an outstanding issue as the United States seeks reforms of labour rights in the country.

crisis, however, the political and ideological forces underpinning economic liberalization may adopt a more defensive position in the near future.

Democratization has fostered hybrid models whereby countries in the region accept the reality of economic liberalization, which is enshrined in trade agreements, but look to alternative institutional and policy arrangements to minimize contradictory effects and to promote more inclusive patterns of development. In this regard, "embedded liberalism" (Ruggie 1982) appears to be gaining the upper hand on neoliberalism. These complementarities are apparent in various policy arenas, including the strengthening of (at least) some features of social policy and the developmental welfare state, as well as specific economic policies. The latter include, for example, the use of industrial policy (Brazil), capital controls (Chile) and support services for small and cooperative enterprises (Bolivia and Nicaragua).

They are also apparent in the particular mix of trade regimes that countries are now pursuing. In Bolivia, there has been an attempt to combine the alter-globalization model of ALBA with the more orthodox South-South integration schemes of CAN and MERCOSUR. Brazil combines multilateralism with an attempt to pursue regionalism through MERCOSUR and UNASUR, which are not only economic, but also political and social projects. In the case of Chile, the strategy of simply expanding the number of free trade agreements worldwide may be reaching its limits, and the country will have to attempt to secure conditions for economic and social development via regional integration. Nicaragua, like Bolivia, is pursuing an unusual hybrid—CAFTALBA—seeking complementarity by combining a conventional free trade agreement with the United States with a South-South integration in ALBA.

There are certain indications that such arrangements seem to bode well for policy space and some aspects of policy coherence as defined in Part I. Averse to the asymmetries of multilateralism, the MAS PND is an attempt to increase Bolivia's policy space and achieve greater coherence between the normative vision of alter-globalization (that is, ALBA) and the export-oriented growth possibilities of conventional globalization (that is, CAN and MERCOSUR). The country's small economy and its history of instability are serious impediments to this ambitious new developmentalist project. To achieve its trade and development objectives, the Morales administration must successfully negotiate an increasingly complex and volatile "two-level game" between, on the one hand, polarized domestic business and civil society actors and, on the other, polarized visions of trade within CAN.

In Brazil, a relatively autonomous technocracy, a resurgent Parliament and electoral competition have played an important role in relation to policy space and coherence. But organized business interests, historically quite fragmented, are also mobilizing, uniting and lobbying to greater effect. While this development may serve to moderate rent-seeking demands, it also suggests certain limits to the strengthening of the normative and regulatory framework for inclusive development, particularly in a context where those sectors of civil society that are supportive of more inclusive patterns of development remain fragmented (such as social movements). There are some signs, however, that participatory catch-up is occurring as MERCOSUR's institutional structures are broadened to allow hitherto marginalized social actors a voice in consultative processes.

Chile's strategy of overt openness via multiple bilateral and plurilateral trade agreements is locked in competitive advantages related to market access at the global level. However, it also confronted the challenge of not only having to manage constraints on policy space that derived from "deep integration", but also those that gave political allies of neoliberalism and big business undue weight in the legal and policy process. And at a time when a "return" to the region seems long overdue, such developments also pose an obstacle to ending regional isolationalism.

In Nicaragua, the ideological mélange and diverse development strategies inherent in the CAFTALBA model yield numerous opportunities and constraints from the perspective of policy space and coherence. Conceptually, the model points to important complementarities in terms of the economic and social actors that benefit from its two different components: DR–CAFTA, which helps particular export sectors, and ALBA that prioritizes national objectives such as energy sufficiency and food security, and particularly small producers and cooperatives. But the deep integration of DR–CAFTA imposes limits on policy space, while issues of governance, institutionalization and sustainability may undermine the role that ALBA can play in relation to policy coherence.

During the past decade, then, Latin America seems to have been immersed yet again in a transition that could have major implications for economic and social development. Taking as indicators the concepts of policy space and policy coherence, and comparing the contemporary context with the lost decade of the 1980s, there are some signs that the current diversity of trade and development regimes may be settling into a strategy more conducive to inclusive development. While policy space confronts serious structural and instrumental constraints, governments in the region are far more acutely aware of its significance. The notion of policy coherence is more contested. Not only are the regulatory demands of deep integration and structural factors locking in various constraints that may undermine policy coherence from the normative and strategic perspective noted above, but several of the policy and institutional changes that could point to greater policy coherence are incipient, fledgling or of limited scope. Whether initiatives that are potentially progressive in a social sense can be sufficiently scaled up, institutionalized and sustained remains an open question. More research will be needed in order to identify tangible development impacts of such hybrid models in the medium and long term.

This itself is a reflection of political realities of new democracies: resurgent social democratic forces that are treading cautiously so as not to rock the economic boat; expanding but fragmented civil societies, including a sector of NGOs that often remains largely disconnected from political parties and social movements; and citizenries that are taking advantage of electoral competition to rotate parties in office. The region could also be running the risk of embarking on new integration initiatives that may either not advance beyond the political terms of the leaders supporting them or succumb to powerful vested national and/or transnational interests. Although the current diversity of trade and development regimes appears to promote relevant complementarities for inclusive development from the perspective of policy coherence and policy space emphasized in this paper, the above analysis also suggests that tensions that perpetuate the region’s historical syndrome of institutional ruptures and discontinuity are never far from the surface.

Annex: Changing Coordinates: Selected Economic and Social Indicators

Table 1: GDP annual growth, 1990–2009 *(percentage)*

	1990	1995	2000	2005	2006	2007	2008[a]	2009[b]
Bolivia	4.6	4.7	2.5	4.4	4.8	4.6	6.1	3.5
Brazil	–4.4	4.2	4.3	3.2	4.0	5.7	5.1	0.3
Chile	3.7	10.6	4.5	5.6	4.6	4.7	3.2	–1.8
Nicaragua	–0.1	5.9	4.1	4.3	3.9	3.2	3.2	–1.5
Latin America	*0.2*	*0.4*	*4.0*	*4.9*	*5.7*	*5.8*	*4.2*	*–1.8*

Notes: [a] Preliminary figures at 15 December 2009. [b] ECLAC estimations.

Source: CEPALSTAT, www.eclac.cl/estadisticas/default3.asp?idioma=IN, accessed on 22 October 2009.

Table 2: External trade value index, 1985–2008

		1985	1990	1995	2000	2005	2006	2007	2008
Bolivia	Exports	50.0	66.7	83.6	100.0	224.0	310.9	357.8	517.5
	Imports	28.7	48.2	76.0	100.0	135.6	163.5	214.6	309.3
Brazil	Exports	46.5	57.0	84.4	100.0	214.8	250.2	291.6	359.3
	Imports	23.6	37.0	89.0	100.0	131.9	163.8	216.2	310.3
Chile	Exports	19.8	43.6	83.4	100.0	214.8	305.5	352.2	345.9
	Imports	17.1	41.5	85.7	100.0	178.4	210.0	257.6	337.1
Nicaragua	Exports	34.6	37.7	61.9	100.0	187.8	231.0	265.2	303.7
	Imports	44.1	31.6	51.6	100.0	164.1	193.5	227.3	269.1
Latin America	*Exports*	*27.2*	*38.2*	*64.0*	*100.0*	*156.8*	*186.7*	*210.3*	*243.4*
	Imports	*17.8*	*29.6*	*63.6*	*100.0*	*135.3*	*161.0*	*192.1*	*233.1*

Note: 2000 = 100.

Source: CEPALSTAT, www.eclac.cl/estadisticas/default3.asp?idioma=IN, accessed on 15 March 2010.

Table 3: Population living on less than $2/day, 1985–2007

	1985	1990	1995	2000	2005	2007
Bolivia	–	25.46	36.66[a]	41.94[b]	36.77	–
Brazil	39.02	34.65	28.49	28.88[c]	24.75	17.57
Chile	31.46[d]	19.82	15.92[e]	10.33	5.57[f]	-
Nicaragua	–	57.91[g]	47.93[h]	47.52[i]	41.34	-

Notes: [a] 1997; [b] 1999: [c] 2001; [d] 1987; [e] 1994: [f] 2006; [g]: 1993; [h]: 1998; [i]:2001.

Source: CEPALSTAT, www.eclac.cl/estadisticas/default3.asp?idioma=IN, accessed on 22 October 2009.

Table 4: Social public expenditure per capita index, 1990–2006
(dollars at constant 2000 prices)

	1990	1995	2000	2005	2006
Bolivia[a]	–	100	145	161	–
Brazil[b]	88	100	106	119	131
Chile[c]	76	100	142	141	138
Nicaragua[d]	107	100	147	211	–

Notes: 1995 = 100. [a] Refers to the non-financial public sector. [b] Federal, state and municipal. Between 1990 and 1999 consolidated social spending–including federal, state and municipal spending–corresponds to one estimate. At all levels of government, including non-financial public enterprises. [c] Refers to central government. [d] Refers to central government budget.

Source: CEPALSTAT, www.eclac.cl/estadisticas/default3.asp?idioma=IN, accessed on 22 October 2009.

Table 5: Social public expenditure as percentage of GDP index, 1990–2006

	1990	1995	2000	2005	2006
Bolivia[a]	–	100	139	148	192
Brazil[b]	95	100	104	109	117
Chile[c]	105	100	124	106	100
Nicaragua[d]	101	100	125	163	–

Notes: 1995 = 100. [a] Refers to the non-financial public sector. [b] Federal, state and municipal. Between 1990 and 1999 consolidated social spending–including federal, state and municipal spending–corresponds to one estimate. At all levels of government, including non-financial public enterprises. [c] Refers to central government. [d] Refers to central government budget.

Source: CEPALSTAT, www.eclac.cl/estadisticas/default3.asp?idioma=IN, accessed on 22 October 2009.

Table 6: Human Development Index, 1980–2007

	1980	1985	1990	1995	2000	2005	2006	2007
Bolivia	0.560	0.577	0.629	0.653	0.699	0.723	0.726	0.729
Brazil	0.685	0.694	0.710	0.734	0.790	0.805	0.808	0.813
Chile	0.748	0.762	0.795	0.822	0.849	0.872	0.874	0.878
Nicaragua	0.565	0.569	0.573	0.597	0.667	0.691	0.696	0.699

Source: UNDP 2009.

Table 7: Gini coefficient, 1990–2007

	1990	1999	2007
Bolivia	–	0.586	0.565
Brazil	0.627	0.640	0.590
Chile	0.554	0.559[a]	0.522[b]
Nicaragua	0.582[c]	0.584[d]	0.532[e]

Notes: [a] 2000; [b] 2006; [c] 1993; [d] 1998; [e] 2005.

Source: ECLAC 2008:79.

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