The Politics of Trade and the Limits to US Power in the Americas

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The puzzle that this chapter seeks to address can be stated quite succinctly: if we accept that the United States possesses a preponderant (and, for some, unprecedented) degree of structural power in both the global and the regional political economies, and by extension in the arena of trade, why does it prove consistently to be unable to secure outcomes consistent with its interests and preferences? This puzzle reveals itself across the arenas of the contemporary global and regional engagement of the United States: the profound difficulty with which the United States is able to exercise the raw material and institutional power capabilities it possesses is evident in its negotiations in multilateral and international organizations, its military strategies and attempts to maintain political and social order, the war on drugs in the Americas, recent strategies to address the political inconveniences posed by Hugo Chávez in Venezuela, and an array of other instances associated with strategies relating to energy, China, the construction of global or regional coalitions around various issue areas, and so on. The question acquires considerable pertinence when thinking about the evolution of both multilateral and regional trade, the latter in a context in which most observers and participants have given the Free Trade Area of the Americas (FTAA) project up for dead, and the United States, over the course of more than a decade, was unable effectively to wield either its coercive power or the "soft" power of consensual hegemony to entrench the particular form of commercial and economic governance it envisaged as the foundation for the regional trade project. Given that this is the region of the world that remains most characterized by economic and commercial dependence on the United States (and the levels of vulnerability implied by that level of dependence), and that this is the region in which the United States is usually deemed to possess the greatest overall degree of hegemonic power, this puzzle becomes all the more compelling.

The puzzle is not entirely a new one and not peculiar to the contemporary period. Rather, it is a question that consistently preoccupied scholars in relation to the post-war period, and was formulated primarily as a concern with the domestic constraints on the "external" power of the United States, particularly in the context of a scholarly conjuncture in which the relationship between the domestic and international determinants of foreign policy was at its height in the field of International Relations (Krasner, 1977; Ikenberry, Lake and Mastanduno, 1988). One could also address the puzzle as a matter of policy failure, and set out all manner of explanations for each instance of failure on the part of the United States in achieving stated objectives, whether these focus on strategic miscalculations, policy mismanagement, unforeseen circumstances, political opposition, legal or normative constraints, or whatever. But I contend that there is something more "structural" at stake here, which takes us beyond a focus on isolated instances of policy failure and does not give the extent of theoretical precedence found in many earlier analyses to the constraints imposed by domestic politics and institutions, even while the latter form a crucial part of the explanation for the nature and persistence of the puzzle itself and are central to the arguments that will be developed here. Rather, I see this puzzle in terms of an intrinsic disjuncture between the structural dimensions of U.S. power and what we might call its "agential" dimensions, which issues both theoretical and empirical challenges to dominant understandings of U.S. power in the contemporary period.

The premise from which this chapter starts is that the existence of structural primacy (or hegemony), which reaches across the terrains of "structural power" identified usefully by Susan Strange (1987), is frequently not accompanied by an ability to exercise preponderant control over outcomes and unilateral dominance over the processes in which the United States is engaged. It is important to be clear from the outset that the power of the United States, whether understood as hegemony, primacy or domination, has never and will never approximate "absolute" power, and indeed that these concepts do not imply as much. To argue that there are limits to U.S. power and to posit a disjuncture between the structural and agential dimensions of power as a way of understanding does not suggest that the United States does not possess preponderant power of an historically unprecedented nature. Nor does it imply that we are measuring U.S. power against some preposterous benchmark which precludes any possibility of policy failure or constraint on the nature, extent or articulation of U.S. power. Rather, the argument here is that there exist a range of *intrinsic* limits to U.S. power which are sufficiently ingrained in the structures of U.S. power that we can make a strong argument, as others have done in relation to other periods, concerning the discrepancy between, in Stephen Krasner's (1977) terms, the potential and actual power of the United States or, in my own terms, the structural and agential power of the United States in the contemporary global and regional political economies. We thus need both to expose this disjuncture and to explain why it should arise in such pronounced form across the various arenas of the global and regional engagement of the United States.

It should be highlighted that the disjuncture in question is explicitly recognized "on the ground" by trade policy makers in the United States and that it permeates the design of contemporary trade strategies. It translates into a self-conscious concern with the achievement of what is usually termed "leverage."[2] This idea of leverage arises from a core perception that what has been eroded over the last several decades is precisely the degree of leverage which ensures the effective pursuit of U.S. interests and policy objectives—that is, the ability of the United States to exercise the power associated with its position of global and regional primacy in trade negotiations across the spectrum. The core argument advanced in this paper, then, is that the evolution of U.S. trade strategies, both globally and regionally, reflects attempts on the part of policy makers to mitigate and compensate the limitations of U.S. agential power. This explains clearly the shift toward bilateralism as the primary focus of trade policy, in the pursuit of the "leverage" which would facilitate the entrenchment of a global and regional commercial and economic order in line with U.S. interests and preferences. In other words, the invigoration of bilateralism in regional trade strategies is, firstly, a response to the growing challenge to U.S. power in the Americas, particularly in ideological terms and in respect of the economic and trade agenda it has elaborated and pursued. Secondly, it is a clear reflection of the limits of U.S. power in those instances in which attempts to mobilize either the attributes of structural power or agential power have failed—in this case, most clearly, in the FTAA project, but also in the difficulties surrounding the spate of bilateral agreements that have recently been submitted for congressional approval in the United States and across the region.

Our task, then, is to develop this argument by attending to the reasons for the structural/agential disjuncture in U.S. power, the sources from which it arises and the implications it carries for our understandings of the politics of trade in the Americas.

Before doing so, the following section offers a brief account of the evolution of U.S. trade policy.

The Evolution of U.S. Trade Policy in the Americas[3]

Throughout the post-war period, the international engagement of the United States was marked by a distinctive and largely exclusive preference for multilateralism. In trade, successive administrations consistently eschewed other modes of negotiating the construction of a (neo)liberal world order, most obviously those regionalist strategies spearheaded by the European Union (EU). Bilateralist streaks, while evident in post-war trade strategies, were limited to a collection of policy instruments that were deployed in bilateral trade *relationships*, rather than constituting encompassing bilateral trade agreements. At the same time, the historically close links between U.S. economic strategies and multilateralism have consistently been characterized by a fundamental ambivalence in state and public attitudes to multilateral institutions and the rules these institutions have established, even though these rules have been developed largely under U.S. impetus (Luck, 1999). While the United States has exercised structural dominance within the institutions of the world trading system, as in the international financial organisations, nevertheless its record of compliance with multilateral trade rules and procedures has been an increasingly unhappy one, particularly since the 1980s as the dynamism and effectiveness of multilateral trade negotiations have also declined more markedly (Bergsten, 2002: 86–98; Tussie, 1998: 183–193). At the same time, its political dominance of the process has been complicated by increasingly fractious relations with both the EU and developing countries. The result of these trends has been a much greater inclination on the part of successive U.S. governments to explore alternative avenues and arenas for advancing global trade liberalization.

The turn to regionalism in the late 1980s and early 1990s must, in this sense, be understood as arising from a growing disaffection in the United States with the progress of multilateral negotiations and, moreover, the growing political problems encountered in realizing the *particular* vision of a multilateral trading order that animated U.S. engagement in it. It was also a product of two other preoccupations. The first was that associated with perceptions within the United States of a steady erosion of its global hegemony. The “declinist” debates became prevalent from the 1970s onwards, and were epitomized by anxious concern about the apparently superior growth performances of Japanese and German models of capitalism and the steady march of integration in the EU. Regionalism became incorporated into the global hegemonic strategies of the United States largely as an attempt to counter these perceived threats to its economic dominance emerging from other regions and other powerful economies.

The second and related preoccupation was one which achieved particular salience toward the end of the 1990s, and is still deployed frequently in speeches by trade policy-makers and others as grist to the new regionalist and bilateralist mill—namely, that in the negotiation of regional and bilateral trade agreements the United States has consistently been, and remains, behind the curve. Echoed widely in political discourse, public commentary and congressional hearings on the matter (U.S. House of Representatives, 2001), Robert B. Zoellick, the U.S. Trade Representative (USTR) during the first administration of George W. Bush, frequently observed that the United States was “falling behind” the rest of the world and, moreover, its major competitors and partners: “[t]here are over 130 free trade agreements in the world; the United States is party to only two. There are 30 free trade agreements in the Western hemisphere; the United States belongs to only one” (Zoellick, 2001).

The thinking resulting from this conjunction of concerns does not signify a retraction of a ceteris paribus preference for multilateral trade negotiations. But what it does indicate is that, since the late 1980s, there has been a sustained expansion of the armoury of trade policy instruments and the arenas in which trade liberalization is negotiated. From 2000 onwards, the strategy of fostering “competition in liberalization” was elevated to the status of policy “credo” by the USTR (Zoellick, 2003b), facilitated by the granting of “fast-track” negotiating authority under the Trade Act of 2002 (which had been denied to the Clinton administration since 1998). The credo of “competition in liberalization” connoted an advance toward the negotiation of trade agreements on “multiple fronts”—multilateral, regional and bilateral—designed to place the United States “at the center of a network of initiatives” (Zoellick, 2001). The rationale was that such a strategy “provides leverage for openness in all negotiations, establishes models of success that can be used on many fronts, and develops a fresh political dynamic that puts free trade on the offensive” (Office of the U.S. Trade Representative, 2004). The element of “competition” relates to the attempt to create a series of precedents with which, in each successive trade agreement, the baseline requirements for subsequent agreements are ratcheted up, along with the incentives for trading partners to negotiate with the United States distinctively on its terms.

The trade policy credo, in other words, accelerates the momentum of global liberalization by increasing the incentives for countries to negotiate bilateral trade agreements with the United States, designed sequentially to raise the bar for subsequent negotiations (see VanGrasstek, 2000). Given that the selection of countries for these negotiations is primarily reactive in nature—it is the country (or group of countries) aspiring to a trade agreement with the United States which is required, in the first instance, to make its case for consideration (Phillips, 2007b; Feinberg, 2003)—the expectation among U.S. trade policy makers is that a competition among countries will consequently emerge to provide the most attractive set of incentives for the initiation of negotiations. By extension, as the dynamism in world trade shifts to bilateral negotiations, it is a distinctively U.S. trade agenda which is thereby facilitated as the foundation for this new playing field.

The manner in which this strategy has evolved and been deployed has been conditioned by key shifts in multilateral and regional trade politics. Most notable among these have been the gradual implosion of World Trade Organization (WTO) negotiations and the disintegration of the FTAA project in late 2003. As a result of the overriding concern with how then to establish and exercise “leverage” in its trade and economic relationships, the USTR has afforded even greater priority to bilateral negotiations. With rhetoric reminiscent of that surrounding the invasion of Iraq—leading one observer pithily to cast Zoellick as a “Donald Rumsfeld of trade policy” (Bhagwati, 2004: 52)—the strategy has been to construct a “coalition of the liberalizers”: to pursue bilateral agreements with “willing” countries, concomitantly to exclude and isolate the “unwilling,” and thereby to exert sustained pressure on “recalcitrant” countries such as Brazil. Thus, in the FTAA context, Zoellick declared in 2002 that “we want to negotiate with all the democracies of the Americas through the FTAA, but we are also prepared to move step-by-step toward free trade if others turn back or simply are not ready” (Zoellick, 2002). Precisely this occurred when the clash between Brazilian and U.S. positions were deemed to have generated stalemate in late 2003. In the multilateral context, again in response to the Brazilian-led G-20+ coalition of developing countries formed at the 2003 WTO ministerial in Cancún, Zoellick declared his government's determination not to entertain or wait for the "won't do" countries in the multilateral system and to undermine the G-20+ by "mov[ing] towards free trade with can-do countries" (Zoellick, 2003a). The coalition splintered rapidly as the prospect of trade negotiations with the United States was held out as an incentive not to participate in this grouping, and it was precisely countries in the Americas, such as Colombia, El Salvador, Costa Rica, and Peru, that were quickest to jump ship in favor of keeping open the possibility of trade negotiations with the United States.

The cumulative result has been a rash of bilateral negotiations and agreements with partners around the world, a number of which were signed soon after fast-track authority was granted and a greater number of which were set in train following the collapse of the Cancún meetings and the original ambition for an FTAA. Notably, all the countries in the Americas that defected from the G-20+ grouping have since indeed been engaged in bilateral negotiations with the United States. Agreements with Chile and six Central American countries (the latter to form a Central American Free Trade Area (CAFTA-DR), were ratified by the U.S. Congress in July 2003 and July 2005 respectively. In April 2004, multi-party negotiations for Trade Promotion Agreements with a number of Andean countries were initiated, and around the same time for a Free Trade Area with Panama. Negotiations were concluded with Peru in December 2005 and Colombia in February 2006. Ecuador was also part of these negotiations for an Andean Trade Promotion Agreement. Bilateral Investment Treaties (BITs) also exist with Grenada (1989), Panama (1991), Argentina (1994), Ecuador (1997), Jamaica (1997), Bolivia (2001), and Honduras (2001), and negotiations were concluded with Uruguay in late 2005.

It should, of course, be noted that bilateralism is not new, in the United States or elsewhere, and indeed is neither original nor unique to the United States. This much should be obvious from the statements cited earlier lamenting the proliferation of agreements that left the United States falling behind its competitors. Yet what *is* new in the United States is the pace at which such agreements have been negotiated and, indeed, the political ease with which the USTR has been able both to attract negotiating partners and successfully conclude negotiations. Each of the bilateral agreements noted above has departed only insubstantially, if at all, from the schedule of demands that U.S. negotiators would have brought to the first negotiating session, and many have been negotiated in a period of only a few months.

To recap, then: bilateralism has been pursued by the United States, in the Americas and elsewhere, as a mechanism of increasing the leverage which it has progressively lacked in both multilateral (WTO) and regional (FTAA) trade negotiations. In the terms set out at the start of the chapter, the turn to bilateralism has been a reflection of an increasingly pronounced disjuncture between the structural power that the United States possesses in the arena of trade—stemming from its structural position of dominance in the global and regional economy, as well as its dominance in the key institutions of multilateral trade—and its ability to achieve outcomes consistent with its stated objectives and interests. However, this disjuncture has also been evident in the United States' bilateral trade relationships. The passage of the CAFTA-DR through the U.S. Congress was intensely fraught and considerably more difficult and acrimonious than even the USTR had envisaged,[4] even though it was eventually ratified by the narrowest of margins (217 votes to 215 in the House of Representatives). Yet the CAFTA-DR agreement has been ratified by only five of the participating countries, with the exception of Costa Rica. (The agreement entered into force with El Salvador in March 2006, Honduras and Nicaragua in April 2006, Guatemala in July 2006, and the Dominican Republic in March 2007.) Agreements with the Andean countries look likely to take on similar sorts of colours once referred for domestic ratification. At the same time, some limited progress has been made toward the establishment of a South American trade bloc—in many ways, the antithesis of what was envisaged in the FTAA, and certainly contrary to the U.S.-sponsored vision of a hemisphere-wide free trade zone.

Explaining the Structural/Agential Disjuncture in U.S. Regional Trade Relations

How then do we explain the disjuncture between the dominance of the United States in the regional economy and its trade structures, on the one hand, and on the other its ability effectively to achieve outcomes in trade policy consistent with its stated objectives and interests? I wish to explore three dimensions of a possible explanation in this chapter, all of which revolve around the central issue of the way in which U.S. power is intrinsically constituted and shaped by global, regional and domestic politics. The first is the nature of the U.S. state and the range of bureaucratic issues that impinge upon the formulation and execution of trade strategies; the second is the nature of domestic (U.S.) politics surrounding the trade process; the third is the nature of regional politics and regional structures in the Americas, revolving around the political economy of neoliberalism and contestation of the trade agenda pursued by the United States.

The Trade Policymaking Process

It has long been recognized that the particular nature of the U.S. state and political system impinges in crucial ways not only on the overall hegemony of the United States but also on the effectiveness of various policy arenas within the hegemonic project. Analyses have drawn attention to a range of characteristics of the U.S. state, ranging from constitutional provisions to coalition building by dominant political parties, the particular form of separation of powers, the presidential (as opposed to parliamentary) system and so on (see Strange, 1987). The most salient preoccupation, inevitably, has been with the ways in which all these characteristics of the U.S. political system add up to a state which is highly permeable to powerful lobbies and interest groups; consequently, much analysis, particularly in U.S. scholarship, has been imbued with a excessively narrow and determinist focus on interest group politics. Equally, there is a long-standing debate, with which space here precludes a lengthy engagement, centring on explanations for the differences in policy making processes across policy areas, particularly between trade policy and international monetary policy, and indeed in different issue areas within those policy areas. Here again, the emphasis has routinely been on contending understandings of the relationship between state and society, and specifically questions of either state autonomy in relation to societal interests or collective action within particular issue areas (Katzenstein, 1978; Krasner, 1978; Zysman, 1983; Goldstein, 1986; Gowa, 1988). Put together, all these characteristics can be taken to constitute a form of "political entropy" (Cerny, 1989), which acts to the detriment of both consistency and predictability.[5]

We will return to these issues of interest group activity shortly, along with the question of executive-congressional relations. For now, our concern is with the state and bureaucratic structures that shape particular policy areas. In trade policy making, indeed, the degree of bureaucratic and institutional fragmentation are particularly pronounced, in ways which are clearly pivotal to an understanding of the policy inconsistencies that one perceives in this policy area—policy inconsistencies that revolve around the central and long-standing tension between liberal and protectionist impulses which have manifested themselves across the gamut of U.S. trade strategies and, in particular, permeated congressional activity and public opinion surrounding trade policy.

The interagency process through which trade policy is made, along with the substantial congressional oversight and input functions developed in successive reforms since the middle of the twentieth century, have consistently made the U.S. trade policy process a strikingly unwieldy, diffuse and politically delicate one. The interagency process (consisting of the Trade Policy Review Group and the Trade Policy Staff Committee) incorporates a wide range of state agencies, most obviously the Office of the USTR and the Departments of State, Treasury, Commerce, Agriculture, and Labor, and including many Departments such as, among others, Interior, Energy, Health and Human Service, Justice, and Transportation, the Central Intelligence Agency (CIA), the National Security Council, the Environmental Protection Agency, and the Office of Management and Budget.[6] The most defining interactions lie between the first four of these agencies and represent essentially the differences (and tensions) between their guiding concerns. As is well known, the Department of State's role in the trade policy process revolves around ensuring that policy is consistent with and contributes to overarching foreign policy, security and diplomatic goals; Commerce concerns itself with the interests of specific industries; Treasury with macroeconomic issues; and so on.

The interests and concerns of these and other agencies have frequently intervened in the negotiation of trade agreements, usually in a manner which goes against the positions adopted by trade negotiators from the USTR. Perhaps the most visible case in point over recent years has been the dispute over the inclusion in trade agreements of provisions on the migration of workers to the United States, as during the negotiation of the Chile-U.S. agreement, in which various immigration agencies, the Department of Labor, Department of State and others came into conflict with the USTR, not to mention labour unions themselves. In the event, the provisions on movement of peoples, favored by Chilean negotiators and U.S. business groups but opposed trenchantly by U.S. labor unions, immigration agencies and others, were substantially watered down but still caused a firestorm and breathed further life into the longstanding and hostile debate about the relationship between trade and labor/immigration policy. Interagency tugs-of-war over labor standards and environmental standards have also been frequent in trade negotiations with partners in the Americas, again reinforced by the activities of various environmental groups and labor unions in the broader political debate surrounding trade agreements such as the CAFTA-DR.

One of the principal effects of these bureaucratic and institutional characteristics of the trade policy process has been a pronounced difficulty in formulating and executing a consistent and proactive trade strategy, beyond the broadest of commitments to a liberal trading regime in both the regional and the global setting. It is clearly the case, as many have argued, that the basic founding principle of liberal trade has remained intact in the United States over the postwar period, and is unlikely to change without a significant rupture in the nature of the U.S. political system (Gowa, 1988; Goldstein, 1986). Yet, beyond this, U.S. trade strategies are defined fundamentally by what Richard Feinberg has appositely termed "ad hoc reactivism." In the current debate about the selection of trade partners for bilateral negotiations, the USTR and others have preferred the adjectives "flexible" or "not mechanical" to "*ad ho*," but the point remains that trade negotiations have been initiated "generally in response to an insistent external request, not as the considered unfolding of a carefully designed internally-generated strategic plan" (Feinberg, 2003: 1022). In addition, trade policy is an area which is especially vulnerable to shifts in the influence of agencies such as the State Department, as officials seek to put trade policy to the service of what may be abruptly changing foreign policy priorities. It is also more vulnerable than most policy areas to shifting patterns of congressional and public opinion, as will be discussed shortly. This is *not* to suggest that trade policy is intrinsically hostage to foreign and security policy priorities, nor indeed to subscribe to those parts of the debate that see trade policy as a blank canvas for interest group politics. Rather, it is to suggest that the elaboration of an internally generated strategic plan, to which Feinberg alludes, has been significantly complicated by the weight of multiple, and often competing, pressures that are brought to bear on trade policy through the functioning of the interagency process and the sprawling, fragmented nature of the trade policy architecture in Washington, DC.

In more general terms, the political and bureaucratic system governing trade policy gives ample expression to the aforementioned tension between liberal and protectionist impulses. The Department of Commerce is oriented around the interests of specific industries and is the agency that concerns itself most with anti-dumping actions. Indeed, for this reason domestic industry groups have pressured for a shift of authority to bring anti-dumping cases in the WTO or NAFTA from the Office of the USTR to the Department of Commerce.[7] Likewise, protectionist impulses arise from the centrality of Congress to the trade policy-making process. Congressional scrutiny of trade policy has in fact been enhanced rather than diminished under the Bush administration, notably as a result of the terms on which fast-track authority was granted to the executive branch in 2002. In this incarnation, TPA was marked by an increase in congressional input and powers of scrutiny, and as such by an enhancement of historically substantial congressional involvement in the trade policy-making process. At the same time, it contained a raft of concessions to "sensitive" domestic economic interests, such that protectionist pressures were firmly embedded in the substance of trade negotiations. Inasmuch as TPA sets the parameters for U.S. trade negotiators, and is reinforced by particular pressures from Commerce and elsewhere, from the outset the negotiating terrain is structurally skewed toward not only U.S. interests in general but also those of specific sectors and industries (Phillips, 2005).

It is this framework, reflecting the intrinsic tension between overarching ideas in U.S. trade policy, which has generated many of the intractable tensions in trade negotiations, particularly in the FTAA process. The exclusion from these negotiations of both agriculture and trade remedies was seen by many governments and interests across the rest of the region to stand in direct contradiction with the United States' insistence on both a "WTO-plus" format and a "single undertaking" as the conditions of a hemispheric free trade agreement. The line, in essence, was that WTO-plus should prevail across the board, including in agriculture and trade remedies, and that anything short of this agreement was not acceptable to a large group of countries led by Brazil, comprising primarily member states of the Southern Common Market (Mercosur) and the Caribbean Community and Common Market (CARICOM). The way in which a turn to bilateralism facilitated the negotiation of agreements within this framework established by TPA and the surrounding bureaucratic politics is in ample evidence. In spite of the same emphasis on the WTO-plus format, the United States has excluded from the remit of bilateral negotiations the areas of trade remedies and agricultural subsidies, and sensitive sectors and products have routinely been "carved out" of bilateral agreements (sugar, for example, being a notable and controversial product exemption in the Chilean agreement).

The Domestic Politics of Trade in the United States

The historic ambivalence to free trade in U.S. public and political opinion, and the fraught politics that habitually surround free trade agreements, have been amply in evidence since the start of the 1990s. From the time of the political battles surrounding the signing of the NAFTA agreement in the mid 1990s, the tensions between the Executive and Congress have been evident not only in the refusal to renew fast-track authority for the Clinton administration in 1998 but also in the congressional politics surrounding the vast majority of regional and bilateral negotiations into which the USTR has entered. At the start of the second Bush administration, indeed, in the words of Senator Charles E. Grassley (R-IA), "trade is more controversial than it has been for some time" (U.S. Senate, 2004). Moreover, there has been a striking decline in public support for trade since the start of the 2000s. The primary reasons for this decline are uniformly cited as the emerging "threat" from the Chinese economy, reflected in the steady annual increase in the U.S. trade deficit, and the experience of the NAFTA.[8]

Much (but not all) of this sensitivity is related to the pronounced concern about the impact of trade on the U.S. labor market. The fact that early agreements such as those with Chile, Singapore, Morocco or Australia passed through Congress with relative ease is because they represented little threat to labor and key sectors in the U.S. economy. Under the first Bush administration, indeed, early trade strategies prioritized negotiations that could be concluded and ratified relatively quickly, and this was facilitated by the fact that none of the countries concerned represented excessive threats to U.S. labor and/or the most politically sensitive parts of the U.S. economy. It must also be stressed again, however, that in each of these deals "sensitive" sectors and products were excluded from negotiation or identified as exemptions in the texts of agreements. Those agreements deemed to represent a considerably greater threat to the U.S. labor market—notably CAFTA-DR—have been subject to the same partisan and public battles as those which surrounded similarly contentious agreements in the past, such as the NAFTA.

Indeed, as noted a second ago, one frequently hears explanations of the difficulties surrounding ratification of CAFTA-DR that center on the parallels that are drawn with NAFTA. In the latter case, the political "leverage" that was mobilized for the purposes of securing its passage related to the implications that free trade would carry for dealing with many of the developmental problems that gave rise to labor migration from Mexico to the United States, and increasing the ways in which a trade agreement would enhance the— again—leverage of the United States in terms of advancing democracy in Mexico and dealing decisively with such questions as drug trafficking through Mexico to the United States. Although the infamous "giant sucking sound" never in fact materialized, neither did the developmental benefits to Mexico which were supposed (for the United States) to stem the tide of (particularly illegal) migrants or deal with other core border security issues. The reason for this is fairly clear: the absence of any significant developmental dimension to the NAFTA project that would substantially mitigate wage differentials or problems of unemployment. In fact, for many, the neoliberal project, of which NAFTA was the exemplar in the mid 1990s, generated precisely the opposite effects. Arguments similarly designed to increase political leverage relating to the CAFTA-DR—and indeed the drawing of similar linkages between free trade and the war on drugs in the current negotiations with the Andean countries—have therefore gained significantly less "traction" in Congress or in public opinion more broadly.

These generalized concerns about jobs are coupled with perceptions or fears of unfair trade practices, notably dumping, and threats from freer trade to domestic producers and manufacturers. The result has been a pronounced and widespread decline in enthusiasm for existing and new trade agreements among key economic interests in the United States—notably small industries, certain agricultural sectors such as tomatoes and sugar producers (even while associations representing the wheat and corn sectors are broadly supportive), the textiles sector and a wide array of services sectors. The particular constellation of U.S. political interests opposing trade agreements has of course depended on the trade agreement in question. The agreement with Thailand featured significant problems with sugar, pick-up trucks and intellectual property, for example; in the case of CAFTA-DR, labor standards, sugar and textiles were foremost.

The primary upshot has been growing calls among such groups for much more stringent application of U.S. trade laws and opposition to the negotiation of new bilateral and regional agreements,[9] again reinforcing the tension between free trade and "protectionist" (or anti–free trade) ideas and the resulting policy inconsistencies. These pressures, channeled through such organizations as the National Association of Manufacturers, have been matched by congressional initiatives to strengthen the enforcement of existing trade agreements. Senator Max Baucus (D-MT), for example, called in March 2004 for a thorough review by the General Accounting Office (GAO) of current enforcement practices in response to such concerns as software piracy in India and the lax enforcement of intellectual property rights in trade partner countries around the world (U.S. Senate, 2004). But what this increasing pressure on the trade agenda means, in essence, is that those elements of U.S. trade policy that are already most controversial and already complicate trade negotiations in the region and outside it are being substantially strengthened, and are likely to continue to be strengthened over the coming years. Put the more stringent application of trade remedies together with ongoing agricultural protection, more forceful enforcement mechanisms on matters of intellectual property and labor issues (the latter particularly in the context of a bitter debate surrounding immigration reform in the United States), and it appears that trade politics over the rest of this decade are likely to become more rather than less tense. By extension, the clash of overarching ideas governing trade policy is likely to be sharpened, exacerbating many of the institutional and political obstacles not only to the effective design of trade strategies, but also to the exercise of U.S. agential power in the arena of trade.

The Regional Politics of Trade in the Americas

Finally, then, what can we say of the regional politics of trade which shape, define and, indeed, limit the agential power of the United States in this arena? The first and most obvious point to make is that the political economy of the Americas can no longer be understood, if it ever could be, in the simple terms of a north-south structure of economic and political dependence, on the one hand, or, on the other, the clear-cut and indisputable dominance of the United States. In general terms, the structural power that the United States possesses in the region could be said to have remained intact, but the methods by which it is exercised shifted away from the coercive, interventionist foreign policies of the cold war period toward an approach based on the building of ideological "consensus" around the transitions to democracy and market economics, and on the elaboration of regionalist projects.

One interpretation of these trends sees their result to be a "relational delinking" between the United States and Latin America, in which relations have come to be characterized by the increasing political and economic independence of Latin America from the United States, on the one hand, and on the other the diminishing political and diplomatic interest of the United States in the Latin American region (Muñoz, 2001: 73–90). To an extent, this idea captures something of the changing nature of U.S.-Latin American relations, and becomes persuasive in the context of the increasing global presence of Brazil, Mexico, and other countries, and indeed the increasing challenge mounted by a range of countries—notably Brazil—to the unilateral assertion of U.S. primacy in the region. In the issue of trade which concerns us here, the manner in which both Brazil and Chile have come to articulate global trade strategies and profiles, rather than ones dominated by either the region or the U.S. market, is certainly indicative of a reduced degree of straightforward dependence on the United States.

However, the same cannot be said for the majority of the countries of the region, which have continued to be characterized by a pronounced dependence on the United States. Indeed, as global competition has intensified under the impact of globalization, as well as multilateral and unilateral processes of liberalization, many countries in the Americas have found competitive participation in global markets to be more, rather than less, remote as a strategic option. Furthermore, the emergence of China in the global economy has been pivotal in reinforcing and sharpening the profound obstacles to competitiveness in Latin American economies, including in the U.S. market (Phillips, 2007a; Dussel Peters, this volume; Jenkins et al., 2006). Notably too, this new political economy of dependence features not only of dependence on the U.S. market as a destination for exports and a source of investment, but also dependence on the U.S. economy as a source of jobs for hundreds of thousands of people who migrate each year to the United States from Latin America and the Caribbean (LAC).

It is to be expected, then, that yawning differences across the region in terms of levels of dependence on the United States and associated issues of political and economic "weight" should yield considerable variation in the nature of participation in trade and trade politics. Yet, even in cases in which dependence is pronounced, there have been clear limits to the extent to which the United States has been able to dominate the trade agenda—that is, there has been a clear disjuncture between the structural power that arises from its position of primacy and the nature of regional dependence on the U.S. economy, on the one hand, and, on the other, the ability of U.S. governments to secure outcomes consistent with stated preferences. In part this disjuncture stems from a changing regional politics, in which coalitions of countries have been able to mount challenges to the particular strategies pursued by the United States. In other part, it arises as a result of profound regional- and domestic-level rejections in various contexts of both U.S. power and the particular trade agenda through which the United States has sought to entrench its hegemony in the region.

The first of these—a changing regional politics—was manifest in the FTAA negotiations. A Brazilian-led coalition, comprising essentially Mercosur and CARICOM countries (along with Venezuela) and opposing the U.S.-sponsored vision of the FTAA, contributed to the trenchant politics that ultimately led to the breakdown of the negotiations in late 2003, even while some Latin America countries, notably Chile and Mexico, remained more or less fervent supporters of an FTAA. Of course, the collapse of the FTAA negotiations gave way to the bilateral thrust of U.S. trade strategies that has accelerated particularly since 2003 and, as noted earlier, contributed to a reinforcement rather than diversion of U.S. power and the distinctive agenda of the U.S. in the region. Nevertheless, these shifting regional politics were central to the inability of the United States either to push forward the FTAA negotiating process or, through it, to set in place a trading and wider economic order that was distinctively consistent with its interests and priorities.

"Success" in diverting an FTAA based on the articulation and extension of U.S. power breathed new momentum into the process of constructing a South American trade bloc, which, in its aspirations, stands in direct contradiction with both the priorities of hemispheric free trade and U.S. dominance of the regional political economy. Yet one should clearly not be inappropriately optimistic about the prospects for this bloc, particularly in view of the apparent tensions that have come to prevail between participation in the South American project and conducting bilateral negotiations with the United States for the majority of Andean countries. Most significantly, Venezuela abandoned the Andean Community in April 2006 in protest at the Peruvian and Colombian deals with the United States, even though it remained committed to becoming a full member of the Mercosur. The prospects for the consolidation of a "South American" bloc as a coherent political force were also thrown clearly into doubt in mid-2007 as the putative alliance between Venezuela and Brazil—and in a wider sense Venezuela and the Mercosur—began visibly to wane, Mercosur governments (including the Brazilian government) becoming uncomfortable with the vision of this alliance being touted by Caracas and, moreover, developments in Venezuela after the re-election of President Chávez in December 2006 that were widely (internationally) interpreted as contrary to democratic principles. Similar arrangements for Bolivia's full membership of Mercosur were also frustrated in early 2007, as the other Mercosur countries objected to Brazilian support for this prospect. It would therefore appear that this regional politics of opposition to an FTAA is unlikely to have yielded a significant, long-term political force which acts to the detriment of the agential power of the United States in the region, and certainly it has done little to dilute the forms of structural power that the United States continues to possess.

In this light, the more intriguing and potentially important dimension of regional politics relates to the second area mentioned above—the domestic-level rejections of the U.S. trade agenda. This is evident primarily in the tortuous course of bilateral agreements, particularly in the politics surrounding the CAFTA-DR agreement and the emerging politics surrounding the Andean agreements. As noted earlier, Costa Rica has so far failed to ratify the CAFTA-DR agreement. The focal points of opposition have been the provisions on intellectual property (particularly in the area of pharmaceuticals), investment and agriculture—precisely those that generated most tension and acrimony in the FTAA negotiations. The prospects for ratification were seen to have improved after the election of President Oscar Arias, who took office in May 2006 and is a proponent of the CAFTA-DR. But his victory over Otton Solis, vocally opposed to the agreement, was a very slim one, and Arias took office without a legislative majority. This fact, as well as ongoing active opposition from labor unions and other popular groups, indicates clearly that the political debate surrounding CAFTA-DR remains highly contentious and ratification is by no means assured. There has been an aggressive media campaign in favor of free trade, supported by the big transnational pharmaceutical companies, the president's office and other pro-CAFTA-DR groups, but this has not prevented the steady growth of social protest culminating in a march by tens of thousands of people in early 2007 against the ratification of the agreement. At the same time, concerns have been raised about the use of force to repress this social opposition. At any rate, a referendum is scheduled for October 2007.

Political tensions have also emerged forcefully in the Andean countries. At the "official" level some governments are unwavering proponents of the trade agreements and others hold out prospects of a resounding rejection of them, rhetorically at least. The political panorama for ratification of these bilateral agreements in the Andean countries themselves looks rather like that of the CAFTA-DR countries, with the extra twist of the elections of left-wing governments in Ecuador and Bolivia and the deterioration in both cases, for various reasons, of relations with the United States. Social protest has accompanied the negotiations also in this subregion, the protagonists here including Ecuadorean indigenous groups and Peruvian farmers' groups.

The central issue in these regional politics of trade is thus linked directly with broader questions about the structural/agential disjuncture in U.S. power, and concerns the declining *legitimacy* of both U.S. power and the particular trade and economic agenda it has pursued, both regionally and globally. In this respect neo-Gramscian conceptions of hegemony become rather useful, centering as they do on the question of legitimate and consensual power: hegemony constitutes a condition in which the governed accept or acquiesce in authority without the need for the application of force. Hegemony, as Robert Cox puts it, "meant leadership rather than domination" (Cox, 2004: 311). Consent is therefore crucial to the exercise of power, not in the sense that there needs to be active consent before power can be exercised (the United States can and does act unilaterally and coercively), but rather that the increasing difficulty in the exercise of agential power is linked, I suggest, to the erosion of the legitimacy of U.S. power.

In the arena of trade in the Americas, this erosion of legitimacy has been particularly marked, and has taken three principal forms. The first is as a rejection of neoliberalism and, in particular, the Washington Consensus as a template for political and economic organization in the region. The prevalent disillusion with developmental performance under neoliberalism has found expression in the election of a rash of center-left or left-wing presidents in countries such as Brazil, Venezuela, Bolivia, Ecuador, Venezuela, and Argentina, and a surge of left-wing political currents in countries like Mexico. In some of these cases, such as Brazil and Argentina, there has not been a rejection of market economics per se, but rather a rejection of the neoliberal orthodoxy embedded in the Washington Consensus. Some would, of course, argue that this is hardly significant in as much as the Washington Consensus has rarely been pursued in a "pure" form and as such fairly minor deviations from it, while the thrust of a market-led development model is preserved, are not especially noteworthy. In others, notably Bolivia and Venezuela, the reaction against neoliberalism has been much more pronounced as a rejection of the tenets of market-led development, even though a clear alternative policy model has not emerged in any concrete sense.

However, what must be noted in this context is that a widespread rhetorical rejection of neoliberalism, whether of the "softer" or "harder" variety, has not significantly infected Latin American *trade* strategies. Indeed, the drive to negotiate trade agreements, build trade relationships, capitalize on the trade opportunities presented by China or else, in cases such as Mexico and Central America where the emergence of China has thus far posed severe difficulties in the area of trade (especially as a result of direct competition in key sectors), put in place measures to shore up key trading relationships in a "defensive" manner has been undiluted by the region-wide acknowledgement of the failures of more than a decade of neoliberal development strategies. Even on its own, the enthusiasm for bilateral negotiations with the United States in the majority of countries of the region provides ample illustration of this point, notwithstanding the difficulties encountered in some cases once legislation was passed for domestic ratification.

Rather than as a rejection of trade per se, then, the second form that the erosion of the legitimacy of U.S. power has taken has been that of a reaction against the particular type of trade strategy pursued by the United States in both the FTAA and bilateral negotiations. In a nutshell, the "trade" agenda for the United States is essentially an agenda for the entrenchment of a much wider range of economic disciplines, focusing on such areas as intellectual property, investment rules, liberalization of trade in services, labor and environmental standards, competition policy, and so on. Put together with the exclusion of trade remedies and agricultural subsidies from the remit of negotiations, the cursory attention paid to special and differential treatment for smaller and poorer economies, and the routine "carving out" of sectors deemed "sensitive" by the United States (and usually of profound importance for trade partners in Latin America and the Caribbean), the characteristics of U.S. trade strategies have been seen to add up to an agenda which is prejudicial to the development prospects of the region and designed to serve a set of distinctively U.S. priorities. The degrees of dependence on the U.S. market that obtain in the vast majority of the countries of the region, coupled with the challenges posed by the emergence of China to Latin American exports in the U.S. market, have ensured that in most cases this reaction has not translated into a rejection of trade relations or new trade agreements with the United States —indeed, as we have seen, quite the opposite has occurred, except in countries such as Brazil and Venezuela. Yet the legitimacy of the U.S. trade agenda and the manner in which the U.S. government has pursued it have been called fundamentally into question, particularly as dimensions and indicators of its overall strategy for maintaining primacy in the region, and certainly popular forms of contestation and resistance have been increasingly notable features of the landscape of trade politics. The domestic rejection of free trade agreements evident in the problems associated with their ratification, as in Central America, is noteworthy as a dimension of a broader reaction against the U.S. economic and trade agenda in the region.

The third form that the erosion of legitimacy has taken, which needs only brief mention, is that of a cruder variety of anti-Americanism, the trade agenda providing a useful focal point but not necessarily the crux of the political issue at stake.

In this way, it is the broad erosion of the legitimacy of U.S. hegemony, as it is expressed through both the neoliberal project and particular economic and trade strategies, that forms the foundation of the regional politics which have acted to limit the agential power of the United States in the Americas. Notwithstanding continuing forms of dependence on the United States, increasingly strident ideological and political challenges in Latin America and the Caribbean have permeated the politics of both hemispheric and bilateral trade, to the extent that the United States has been quite strikingly constrained in its ability to secure its preferred outcomes in trade negotiations.

Conclusions

Mainstream debates about U.S. power understand it essentially as an “input” in world and regional politics. Hegemony, in the bulk of IR and IPE debates, is taken largely as a given, whether referring to structural or relational power, and the only task is apparently to measure it and establish whether it is declining in either absolute or relative terms. What I have tried to suggest here is that we need to focus not on the amount of U.S. power and not on hegemony as an "input" or "public good" in the global political economy, but rather on the ways in which the *nature* of U.S. power is forged by politics and political interactions, at the domestic (U.S.), regional and global levels (although the latter has not been the focus here). In other words, the appropriate debate about U.S. power (or hegemony) is not a debate about resources or attributes, but rather a debate about *politics* and the way that hegemony is constituted and shaped both domestically and regionally or globally. This point about politics is not trivial—in fact, it suggests a very different approach to understanding power and hegemony from the one which currently prevails, which not only focuses on hegemony as an attribute of a given state and as an input in world or regional politics, but is also characterized by a curious "apoliticism." Part of the problem here is that U.S. hegemony is habitually analyzed in a manner consistent with wider trends in U.S. social sciences, which Anatol Lieven has identified as "increasing isolationism, determinism and dogmatism" associated with dominance of rational choice models (Lieven, 2004: 66). U.S. hegemony is conceived essentially in isolation from the rest of the world (the notion of hegemony as an "input" in world politics) and as existing curiously independently of any form of constitution by domestic political economy. Furthermore, when, in a theoretical sense, politics *have* been injected more centrally into analysis, the tendency has been again to conceptualize politics distinctively as domestic politics, as in the work, mentioned earlier of Krasner, Goldstein, Gowa, Katzenstein, and others. The notion of U.S. power as an input into world politics thus remains essentially intact—U.S. power is shaped and constituted by *domestic* politics and then projected outwards.

This emphasis on the political constitution of power in the domestic, regional and global contexts is central to explanation of the structural/agential disjuncture, both in general and in trade politics. Linking to the core issue of the legitimacy of U.S. power and fracturing of "consensus" or "soft power" in the trade arena, the argument here has been that it is the nature of both domestic politics and an emerging regional politics of trade that have complicated the effective, agential, mobilization of the structural power that the United States possesses in the regional political economy and in the arena of trade more specifically. Furthermore, consistent with this line of argument, bilateralism may be seen as a response to the consequent limitations of U.S.

agential power and the underlying weaknesses of U.S. power in general terms, not a reflection of unprecedented strength, as is assumed in much of the over-excited analysis of contemporary U.S. power.

In this light, then, our discussion of trade in the Americas has revealed an arena which is increasingly dominated by a U.S. political landscape that is more hostile to new trade agreements than it has been for some time, particularly to those which are perceived to carry implications for the US labor market. At the same time, there are considerable political constraints on and opposition to the trade agenda in other parts of the region, emerging in the main from a larger and more fundamental rejection of both neoliberalism and the forms of U.S. power that are put to the service of its regional entrenchment. These trends, and their reinforcing consequences for the core disjuncture between the structural and agential power of the United States, seem set to become much more central to both the regional political economy and the arena of trade within it.

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Notes

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[2] The issue of “leverage” and mechanisms for achieving it permeated extensive discussions and interviews concerning foreign economic policy with U.S. government officials, representatives of congressional offices and committees, trade policy makers, representatives of key state agencies, representatives of business and labor organizations, and others. All interviews to which I refer in this chapter were conducted in Washington, DC, during September and October 2004, and all were conducted on a “not for attribution” basis.

[3] This section borrows from Phillips (2007b).

[4] There is clear evidence that the administration miscalculated how vigorously the labor movement would oppose CAFTA-DR and was taken by surprise by the extent of difficulty encountered in the ratification process. Author’s interviews.

[5] This emphasis on the inconsistency of U.S. policy and the greater space in the U.S. system for political "U-turns" has not gone unchallenged: G. John Ikenberry (1998/1999), for example, sees the transparency of the U.S. political system as acting to reduce surprises and allay concerns that partners may have about abrupt changes in policy.

[6] The third layer of the interagency process is the National Economic Council, which is chaired by the president. For an overview, see http://www.ustr.gov/Who_We_Are/Mission_of_the_USTR.html; also Heunemann (2002: 67–73).

[7] Interviews, representatives of congressional committees.

[8] Interviews, members of Congress, representatives of business associations, and representatives of labor unions.

[9] Interviews, representatives of the National Association of Manufacturers and representatives of various congressional offices.