UNIT 16 REGIONALISM IN LATIN AMERICA

Structure

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16.1 INTRODUCTION

Several economic characteristics of the Latin American countries enable us to look at the region as an integrated sub-continent. Regional integration moves can then be examined in this perspective.

Compared to other economic regions, the share of Latin America in world trade is quite low. In 2000, the United States, European Union, and Japan accounted for 60 per cent of world trade, while Latin America had a 4.5 per cent share of world trade in terms of exports and 5.2 per cent in terms of imports. This also reflects an imbalance in exports and imports for the region. Imports have increased a lot more than exports since the eighties. This has caused serious balance of payments problems for most of the countries in the region.

The Latin American economy concentrates heavily on agricultural and mining products. These products constitute almost a quarter of all exports from there. In terms of direction of trade, it is aimed mainly at the United States (about 50 per cent).

One of the striking characteristics of the multilateral trade framework has been the plethora of trade and economic regimes that have come into existence. This latest trend, occurring under the aegis of GATT/WTO, can be regarded as the third wave of regionalism after the mercantilist regionalism of the 1980s and the protectionist industrialising regionalism of the 1950s.

This latest version of regionalism is unique in that it is in tune with the forces of globalisation. One of the primary features of globalisation is that the economic policies of individual states are set keeping in mind their position in the global economy. This is also true of regionalism today—states coordinate their economic policies to enhance their position in the global economy.

Regional integration is thus perceived as a step toward integration into the global economy. Participation on the global stage directly is difficult for most countries, and so marginalisation is avoided through the regional avenue.

Regionalism today consists of both political and economic dimensions. Political integrationist moves are brought in to strengthen the economic agenda and make it more binding. This multidimensional character is one of the reasons for the longevity of the groupings today. When groups are based on a single issue, it is easier for a member to opt out. A combination of issues makes the cost of defection higher.

This new regionalism is different from its previous versions in that it is in tune with the GATT norms. New regionalism is related to other concepts – 'open regionalism' and 'deeper integration.' The first conveys its consistency with GATT, while the second reflects its objective to transcend free trade issues by looking at economic liberalisation region-wide.

According to Fishlow and Haggard, regionalism has to be distinguished from regionalisation. Regionalisation is the regional concentration of economic resource flows. Regionalism is a process that has a strong political basis to it, and involves economic policy coordination between the participant countries. Regionalism is generally put into practice through preferential trading agreements (PTAs). PTAs can consist of (a) customs unions—involve elimination of internal trade barriers and impose a common external tariff (CET); (b) free trade areas (FTA)—the same as customs unions, but without the CET; and (c) common markets—permit free flow of economic resources and products across national boundaries.

Regional integration in the context of globalisation and the neoliberal economic order has come to mean something very different from the earlier periods. For Latin America the roots of the regionalism agenda has several reasons—economic, to avoid marginalisation in the world economy, and political, to consolidate peace and democracy in the region.

16.2 EVOLUTION OF REGIONALISM IN LATIN AMERICA

Economic cooperation and regional initiatives in Latin America have come a long way in the last century or so. At present, in the early years of the 21st Century, we can perceive a renewed and growing trend toward regionalism, notwithstanding some severe economic setbacks that several countries have faced, starting with the Mexican debt crisis in 1982.

Geopolitical realities of the Cold War played a large role in ensuring that no meaningful processes would come to fruition. The influence of the United States, in many ways, precluded such initiatives. But by the 1980s, the global environment was on its way to significant and far-reaching changes, which allowed regional programmes to be brought back to the table.

16.2.1 Latin American Free Trade Association (LAFTA)

In the post Second World War period, a series of regional associations were organised in Europe to lay the foundations of peace, especially between France and Germany. The economic basis for these associations—the European Coal and Steel Community (1951) and the European Economic Community (1951) was the free trade model.

Similarly, the first step towards regional cooperation in Latin America also adopted this liberal economic free trade framework. This was the Latin American Free Trade Association (LAFTA), created by the Treaty of Montevideo in 1960. It involved Argentina, Brazil, Mexico, Peru, Paraguay, Chile, Uruguay, and eventually, Venezuela, Colombia, Bolivia and Ecuador. LAFTA, following this logic, was supposed to help nations benefit from a larger market through regional integration by taking advantage of the economies of scale in producing for this larger market.

LAFTA failed to take concrete shape due to a number of reasons, the most important being the size of the grouping.

In the 1960s, the strategy of import substitution industrialisation (ISI) took root in Latin America. This focused on strengthening all the levels of domestic industry with the help of government aid. Countries in other regions, such as South Korea, Taiwan and Japan in East Asia, were already following variants of this approach, albeit with the concurrence of the United States. In Latin America, ISI came about with left leaning ideologies, most notably the dependency movement.

The ISI led to increased protectionist measures. But the individual economies in the region were not large enough and neither did they have adequate resources to sustain such inward looking policies. The failure of the ISI also led to changes in the way regional cooperation was seen. The goal of industrialisation remained, but the realisation dawned that this could not come about till the countries did not integrate their markets. From just free trade agreements, the objective became development and regionalism through state support. The United Nations Economic Commission for Latin America and its director Raul Prebisch were instrumental in this regard.

16.2.2 Andean Pact

This new thinking was concretised in the Andean Pact/Cartegna Agreement in 1969. This was signed by Bolivia, Venezuela, Peru, Chile, Colombia, and Ecuador. It reflected the concerns with the North-South global division, and also regional inequalities in Latin America. There had been resentment in the smaller countries against what they perceived as unequal benefits accruing to the larger countries (Argentina, Brazil, and Mexico) under the LAFTA framework.

While LAFTA had been based on the free trade model, the Andean Pact moved leftward. Inspired by the dependency school, this pact sought to emulate the United States and other developed countries, which had reached their position through state controls over the economy. The regional moves that were introduced had an anti-foreign capital bias.

16.2.3 Central American Common Market (CACM)

The Central American Common Market was established as a result of the Treaty of Managua in December 1960 by El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica acceded to the Treaty in 1962. This included commitments made by the multilateral treaty in 1958 as well as other bilateral agreements. All Central American states since independence had constituted a single political unit—the Federal Republic of Central America. Since its disintegration there have been several attempts to link the five states as they are similar and form a compact geographical unit.

The treaty committed the states to eliminate tariffs on intraregional trade on all but a limited number of goods and establish a common external tariff (CET). But there were problems with the CACM. The ISI failed because countries did not have the resources to sustain inward looking policies. Even the annual tariff reductions were a problem. Some attributed the balance of payments difficulties to the progress in trade liberalisation. There were other tensions unrelated to CACM and resulted in violence between El Salvador and Honduras.

16.2.4 Caribbean Community (CARICOM)

CARICOM came into being by the Treaty of Chaguaramas in 1973. CARICOM is an extension of CARIFTA, the Caribbean Free Trade Association created by an agreement signed in 1965 between Antigua, Barbados, Belize, Dominican Republic, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago. Common market meant liberalisation of trade and imposition of CET. The smaller members were given a longer period of time to eliminate tariffs.

This too was not a success. Members continued to rely heavily on trade with industrialised states and there was divergence in economic policies between member states.

16.3 FAILURE OF TRADITONAL REGIONALISM AND MOVES TOWARDS NEW REGIONALISM

By the 1970s it was obvious that this second attempt at regional integration was also a failure. Economic nationalist policies precluded the establishment of a common market for Latin America. Efforts to start the process in the early eighties led to the formation of the Latin American Integration Association (LAIA). But the motives behind this endeavour were hardly economic. With the tense geopolitical situation at that time, the agenda had more to do with strategic realities of the region.

The prevailing international economic situation at that time was also not favourable to the regional integration objective. The debt crisis of 1982 was instrumental in damaging the prospects for collaboration. Deterioration of relations between the two continental giants, Argentina and Brazil, also contributed to the lack of regional progress.

The Argentine-Brazil rivalry, which had been dormant for most of the post-Second World War period, gained prominence in the early 1980s. There were already fears in Argentina of Brazilian products swamping their markets. There was a thought of possible armed conflict. The fact that the two countries had military governments did not help either. The Falklands/Malvinas episode seemed an indication of Argentine territorial ambitions. Rivalries were also seen in the management and exploitation of natural resources. Several countries of Central and South America fiercely claimed oil, water, fisheries and mineral resources in the region.

Furthermore, violence and civil war spread in Central America and this was directly related to the superpower rivalry in the region even more. In the Latin American region, there was a marked increase in defence spending that restricted economic development.

Having said that, there were steps towards some regional understanding, especially in Central America, where the Contadora group (Venezuela, Mexico, Colombia, and Panama) and the Esquipulas Agreement worked towards peace in the strife-torn region. This trend was extended to relations between Argentina and Brazil in the mid-1980s. The Integration and Cooperation Programme (PICAB, 1988), and the Treaty of Integration and Cooperation (1989) were important steps. PICAB established a series of bilateral protocols, while the 1989 treaty resolved to create a free trade area between the two in a decade.

Economic cooperation between Argentina and Brazil was also encouraged by the decrease in political tensions. Setbacks in Brazil's nuclear programme reduced fears in Argentina. Nuclear technology was now seen as a route to long-term economic development, apart from the obvious military benefits. Thus cooperation and transparency in the nuclear programmes were, in some way, crucial in establishing trust and were very effective confidence building measures.

Argentina and Brazil have been integral to the economic cooperation in South America. Friendly ties between the two countries are essential for cooperation in the region. By the eighties, common external pressures and a lack of alternative policies led to a convergence in their foreign policies.

In the post-Second World War era, Argentina and Brazil (as also several other countries in the region) had followed a policy which involved moving away from the influence of the United States while seeking closer ties with major powers both in the developing and the developed world. But this strategy of countering the US policies did not really work as Washington's influence and involvement in the region continued, as part of its anti-communist agenda. The next step for the Latin American countries was thus to pursue the same policies but through a common front and regional cooperation.

Thus economic cooperation came about as a result of the desire to be united against external pressures. The economic downturn throughout the eighties also presented the need to weather the situation in a collective manner. At least between Argentina and Brazil, economic cooperation was also helped by the convergence of domestic economic policies: the Cruzado Plan in Brazil and the Austral Plan in Argentina.

Changes in the political situation within the region also forced cooperation among some of the countries. Tensions between Argentina and Chile, guerilla violence in the Andean region, and the fears of subversion from the unstable areas of the Caribbean (Cuba, Surinam, and Grenada) coincided with the downgrading of Argentina as a threat to Brazil. A combination of these changed circumstances also helped induce regional cooperation.

By the mid and late 1980s, it was clear that military governments were on their way out. Moves towards democratisation changed the aggressive mindsets that had dominated Brazil and Argentina. In order to shore up support, military regimes adopted aggressive postures, the necessity of which declined with increased democratic decision-making.

Especially in the post-1985 period, there was a need to protect this nascent democratisation through foreign policy steps, and this goal proved conducive to regional cooperation. It was obvious that democracy still had its enemies, and only a concerted regional effort could defeat them. But a caveat here would be necessary. In Brazil, and also in Argentina, if not to the same degree, the military did change with the times, and the rapprochement with Argentina came about with their approval.

A democratic identity thus came to define the basis of cooperation between the countries of the region. This was made quite clear by the expulsion of undemocratic regimes (Paraguay, Chile) from economic pacts.

By the late 1980s, the low rate of trade and investment in each other's countries also led to state-sponsored regional moves. This culminated in the Treaty of Asuncion in March 1991.

This treaty, signed by Uruguay, Argentina, Paraguay, and Brazil, created MERCOSUR, and came into force in November 1991. This was one of the biggest steps in the quest for regional cooperation in the region.

The other major regional community that has been a lynchpin of regional progress is the one that was formed through the Andean Pact (Bolivia, Colombia, Ecuador, Peru, and Venezuela). Though it has been in existence for three decades, it has been plagued by economic problems, both domestic and global, especially in the seventies and eighties. Non-compliance with its protocols on tariff liberalisation by member states has also been a spanner in the works. But since the mid-eighties, through an open regionalism approach, the Andean Pact has made some gains. In the decade of the nineties, the creation of a free trade zone and the lowering of the common external tariff have been significant achievements.

Provisions of the Andean pact have received legal backing from the constituent states, and this has increased confidence in these economies among corporations. This has resulted in massive inflows of foreign direct investment in the region.

The achievements and failures of Mercosur are discussed in the next sub-section. So far we have looked at regional integration restricted to the Latin American region. In the later section we look at regional integration involving the entire Western hemisphere, and in this regard we briefly examine three major initiatives—the Organisation of American States (OAS), the North American Free Trade Area (NAFTA) and the proposed Free Trade Area of the Americas (FTAA).

Regional integration moves in Latin America in the 1960s and 1970s had a different motive than the steps taken in the 1980s and 1990s. In the earlier period, the policies followed under the guise of regionalism were largely protectionist and inward- looking. In contrast, the recent proposals have been in line with liberal economic agenda in trade and investment. These regional accords have been used to concretise such policies and make the price of opting out very high.

16.3.1 Mercosur

Mercosur or the Common Market of South America was the culmination of decades of moves towards regional integration. Other groupings such as the Latin American Free Trade Association (LAFTA) in the sixties, and the Central American Common Market (CACM) and the Andean Pact in the seventies failed due to differences between the constituent countries and also with outside powers, most notably, the United States.

The renewed push for economic cooperation came through the Argentine-Brazilian Economic Integration programme (ABEIP) in 1986. The two South American giants surmounted their historical rivalry to put forth this programme of economic and political cooperation. The programme aimed at diversifying the trade between the two sides through bilateral accords in different sectors. But by the end of the decade this programme was not working. Domestic economic policies in the two countries were also not working and the external economic pressures, because of foreign domestic debts, caused development and liberalisation policies to be placed on the backburner. This was a temporary setback to the economic integration project.

A change in regimes in both the countries provided a much-needed impetus to continue with the economic integration agenda. The difference, this time, was that domestic economic reforms were carried out to complement the economic integration agenda. This was one of the reasons why previous attempts at regional integration had failed. It required a degree of economic openness that was contradictory to the protectionist agenda followed by most Latin American states since the Second World War.

Soon after taking power, the two new presidents, Carlos Menem of Argentina, and Fernando Collor de Mello of Brazil, signed the Buenos Aires Act in July 1990, which called for the establishment of a common market by 1994. A month later, Paraguay and Uruguay also joined the pact. Finally, in March 1991, Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asuncion, that created the South American Common Market, or as it is commonly known, Mercosur.

Mercosur's provisions contained some fundamental departures from the past. Instead of sectorwise tariff reduction as was the case in ABEIP, tariff reduction has been introduced across the board. Macroeconomic policies were coordinated with this tariff reduction proposal. Furthermore, a common external tariff for outside trading partners was proposed. This would increase the competitiveness of the Mercosur countries.

Mercosur was formed for both security and economic reasons. As mentioned earlier, militarism and rivalry between Argentina and Brazil weakened moves toward regional integration. Security concerns of both the countries discouraged them from cooperating. But by the late eighties, the situation had so changed that security concerns acted to create the opposite dynamic.

Argentina's defeat in the Falklands war, the transition to democratic rule, and the lessening importance of nuclear weapons in the continent helped to transform security issues. The concept of security was less contentious and revolved mainly on preventing civil strife in the region and promoting democracy, besides combating new security issues like drug trafficking and illegal immigration. Mercosur has provided a platform for the discussion of these issues.

The inextricable link between economics and security has also been established and this has further underlined the security related agenda of Mercosur. The world is increasingly witnessing the birth of trade blocs, and this creates a sense of insecurity among other regions and country. Latin America is no different. NAFTA created a special zone for the United States; the European Union has developed its own exclusive economic area. Isolation from the world economy today means stunted economic progress, which is translated into political dissatisfaction. Now that democracy is the basis of government in Latin America, economic upheaval would have political and social consequences. This was very clearly demonstrated in the case of Argentina, with its economic downturn in the last two years.

The neoliberal economic policies followed by the governments in Argentina and Brazil, starting from the late eighties, were a lot more conducive toward regional integration, and indeed their agenda was bolstered by such initiatives. Their domestic economic policies revolved around trade liberalisation that would increase the gains from comparative advantage and achieve economies of scale. But in the absence of sizeable domestic markets, Latin American nations are forced to look outside, and this is where the role of regional integration becomes so crucial. It enables them to access larger markets, have a greater volume of trade and are better equipped to specialise.

For market actors also, regional integration through Mercosur has made Latin America a more attractive region for investment. Integration of markets and infrastructure has enabled corporations to invest in countries according to their specialisation and comparative advantages.

16.4 HEMISPHERIC INTEGRATION

16.4.1 North American Free Trade Area (NAFTA)

One recurring pattern in hemispheric politics has been the involvement and influence of the United States. The creation of the North American Free Trade Area (NAFTA) in 1992 and the long-standing existence of the Organisation of American States formalised the US involvement in the region.

NAFTA is more than a free trade area as the title suggests. It involves regulations and common standards on a variety of areas such as investment, privatisation, intellectual property rights, labour standards, and the environment. NAFTA is also significant because it can be seen as a step towards a hemispheric free trade area, i.e., the Free Trade Area of the Americas.

NAFTA evolved as a result of moves by states to control and guide regional integration. It was a formalisation of the deep economic ties that had come about in the region by the mid-eighties, especially with the liberalisation of the Mexican economy in 1986. It was also designed to permanently link the economies of Mexico and the US, besides putting the latter on the path to further liberalisation.

In tune with this, NAFTA covers a very broad set of areas of capital investment and how barriers to investment can be removed. In few areas such as oil, gas, and media, national control was maintained. In other sensitive areas, such as the automobile sector, an adjustment period was instituted before NAFTA regulations were to be applied.

The important thing to note here is that NAFTA did not change the basic characteristics of the US-Mexico relationship. Interdependence between the two countries had always been asymmetrical in favour of the northern partner. NAFTA only served to formalise this. But this was not seen as a zero sum game. Rather than relative gains, absolute gains were the objective of all sides. The idea was that in spite of asymmetric integration, Mexico would still benefit greatly, through increased access to North American markets and inflow of foreign investment.

But the 1994-95 currency crisis in Mexico was a big setback to the objectives of NAFTA. NAFTA and economic liberalisation had made Mexico a very attractive destination for foreign investment in the early nineties. Mexico seemed to be on the path to fast growth through the inflow of foreign capital. But the economic crisis and the devaluation of the peso (currency in use) caused a massive withdrawal of foreign investment. This showed how risky it was to rely on unstable and volatile foreign capital coupled with deregulated markets. This has been an important lesson for the Latin American countries ever since.

Mexico was bailed out by the United States through a $20 billion package. But it is not clear if similar assistance would be offered in future in the event of a similar crisis, and to other countries in the region, even if the proposed FTAA comes into being.

Another problem that has plagued NAFTA and is symptomatic of regional integration issues in Latin America is that of distributional conflict. Inequality in income has risen in all the three countries constituting NAFTA in the last decade. This has made major sections of labour in these countries oppose further expansion and deepening of NAFTA. Furthermore, the controversy over the imposition of common standards is also continuing. Common standards include those related to the strengthening of worker's rights and environmental protection.

But regardless of all the conflicts and controversies, from Mexican point of view, its gains from NAFTA are considerable. Since 1990, its total trade has increased by 60 per cent compared to the entire decade of the eighties. Its trade with the United States since 1986 has increased by more than 400 per cent.

16.4.2 Free Trade Area of the Americas (FTAA)

Negotiations for the Free Trade Area of the Americas (FTAA) were launched in April 1998. The predecessor to FTAA was the Enterprise of the Americas Initiative (EAI).

FTAA will include as many as 34 member states. But the process has not been free of controversy.

The establishment of FTAA is hampered by the fact that subregional organisations and accords are well entrenched, and there are doubts whether the FTAA would be compatible with them. Also, the continuing instability in the international economic system, coupled with lack of political will among the governments has put a question mark on whether the FTAA will come into force by the 2005 deadline, which was proclaimed at the 1994 Summit of the Americas in Miami.

The idea of a hemispheric free trade area was proposed initially by President Bush. The general plan was that it would include all sub-regional trade groups in the region. Hemispheric regionalism would impact on the workings of sub-regional blocs like Mercosur and the Andean Pact. What further complicates the situation is that hemispheric regionalism would impact differently on different sub regions and would even have varying effects on individual countries of Latin America.

Another fundamental issue is the tremendous difference between the North American economy and that of Latin America. Several sections of the US economy, most notably, the workers, have reservations about the provisions of FTAA. For them, it means loss of jobs as companies from Latin America are allowed to enter the North American markets, and with them workers who are willing to work for much lower wages than their American counterparts. As it is, illegal immigration is a contentious issue in the American politics. As more companies compete for the same markets, corporate downsizing could increase even further.

Nevertheless, FTAA's proposals cover almost every facet of economic processes in the region. Its nine negotiating groups deal with intellectual property rights, investment services, competition policy, market access, agriculture, subsidies, anti-dumping, countervailing duties, government procurement, and dispute settlement.

These negotiations through working groups have been opposed by several Mercosur countries. Their approach is based on building upon the existing bilateral and multilateral accords in the region. It also reflects the view that the NAFTA model might be imposed on the FTAA, as opposed to the one that is more in tune with Latin America.

16.4.3 Organisation of American States (OAS)

The Organisation of American States is one of the oldest hemispheric groupings, having come into existence in 1948. Its roots lie in the Inter-American System that came up at the turn of the century. Underlying the Inter-American System was the Pan-American idea, which originated in the 1880s. It was developed by the United States as a way of promoting trade and settling disputes peacefully. It was based on the principles of international equality and cooperation. From the late 19th Century till the Second World War, relations between the United States and Latin America alternated from the Monroe Doctrine to Pan Americanism. But there was an inherent contradiction between the two approaches, the roots of which are visible even today.

The OAS is unique in that it was the first regional organisation that was organised within the auspices of the United Nations Charter. From 21 founder members, it has a total of 35 today. It was formed to promote peace, cooperation and understanding of the western hemisphere.

But the usual differences between the United States and Latin America served to render the OAS ineffective by the late 1970s and early 1980s. Strife and civil war in Central America, the Falklands war in 1982, were among the reasons for this parting of ways.

The end of the Cold War brought a renewed economic focus to the region. Military regimes were also on their way out. This affected the traditional security oriented outlook of the OAS.

But the OAS has received a lease of life with an agenda for promoting democracy. Regimes around the region, with a history of fragile democracy, have realised the importance of a free government, and have sought to formalise their commitment to democracy. The Santiago Commitment in 1991 promised support to the process of democratisation in the continent, and resolved that any interruptions to the process would be met with immediate steps to resolve the situation.

Examples of its activities in this regard include the campaign for the restoration of democracy in Haiti following the coup there in 1991, the constant obstacles to democracy in Peru during the regime of Alberto Fujimori. More recently, it has been involved in the restoration of Hugo Chavez following the brief coup there in April 2002.

This also reflects the paradox in the aims of the OAS. Most members would like to maintain the principle of non-interventionism, but would also like to preserve the nascent democracy in Latin America. The rationale for intervention is perceived by several states as an excuse for the United States to intervene.

OAS's aims to preserve security and democracy are laudable but its failures in the most crucial problems of the region are jarring. The Falklands crisis and the case of Cuba are symptomatic of the discrepancies that arise when the interests of external powers become insurmountable hurdles.

16.5 SUMMARY

Latin America is now very much on the path to economic growth through regional integration. In fact the question to be settled is which one of the integrationist programmes would hold sway.

As of now, Mercosur and NAFTA have separate boundaries, but the latter's expansion and the creation of FTAA would provoke some contentious disputes about jurisdiction, procedures and the distribution of benefits.

Another possible hurdle is opposition from the general population. Unless the condition of the lower sections of society does not improve, there would be anger and dissatisfaction against regional integration organisations, because they would be seen as the cause of their misery.

But for now, regional organisations provide a buffer for the Latin American nations against the vagaries of free market capitalism.

There are many characteristics of Latin American countries which enable us to look at it as one integrated region. Economically, these are developing countries with a low share in world trade and concentrating heavily on the production of primary products—agricultural and mining products. Politically too this region has been unstable. It is these commonalties which led these countries to group together both politically and economically in order to have a better standing in the international arena *vis-à-vis* the developed countries.

Traditional economic groupings have undoubtedly been unsuccessful in Latin America—be it the Latin American Free Trade Association, the CACM or CARICOM. The Contadora, a political grouping of the Latin American countries too did not have much success. These traditional groupings have given way to a new regionalism in the shape of MERCOSUR. New regionalism is different in that it is in tune with the forces of globalisation. One of the primary features of globalisation is that the economic policies of individual states are set keeping in mind their position in the global economy. Politically, the advent of the Rio Group, another purely Latin American initiative raised some hopes, but it is yet to prove its worth.

Another development has been the process of hemispheric integration as a result of the influence of the United States over the area. NAFTA is a result of this endeavour. But what the United States is looking for is an expansion of the free trade area to the entire Americas in the form of FTAA. The Organisation of the American States is one of the oldest political groupings in the hemisphere but the goals of the OAS still remain unclear and not all Latin American countries are comfortable with its decisions.

16.6 EXERCISES

1. Give a brief account of the evolution of regionalism in Latin America.
2. What were the developments that facilitated the decline of traditional regional groupings in Latin America?

3. What do you understand by new regionalism?
4. How is Mercosur different from NAFTA? Which, in your view, is a more viable grouping?
5. How are regional groupings beneficial to member countries?