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ASYMMETRIES: A FUZZY TOPIC IN THE PROCESS OF INTEGRATION

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ABSTRACT

FTAs have gained prominence in the trade policy of Latin American countries to the detriment of other forms of economic integration. In this trend there is a predominance of south-north schemes, where all kinds of asymmetries are evident. The aim of this paper is to demonstrate that the reduction of asymmetries should be a primary goal of the FTAs. The methodology is a review of literature on Latin American FTAs with the United States, particularly those signed by Mexico, Chile and Colombia. As a result, we see that an appropriate treatment of the differences between involved economies is not only desirable for the development of Latin American countries but also it is possible through monetary and industrial policy adjusted to the reality of these countries.

Key words: *economic integration, free trade agreements, NAFTA, asymmetries, trade policy.*

RESUMEN

Los TLCs han ganado espacios importantes en la política comercial de los países latinoamericanos en detrimento de otras formas de integración económica. En esta tendencia hay preponderancia de los esquemas sur-norte, en donde las asimetrías de todo tipo son evidentes. El objetivo de este artículo es demostrar que la reducción de las asimetrías debería ser un objetivo principal de los TLCs. La metodología es una revisión de literatura sobre TLCs de países latinoamericanos con Estados Unidos, en particular los firmados por México, Chile y Colombia. Como resultado, se observa que un tratamiento apropiado de las diferencias entre las economías no solamente es deseable para el desarrollo de los países latinoamericanos sino que es posible a través de la formulación de políticas monetarias e industriales más ajustadas a la realidad de estos países.

Palabras clave: *Integración económica, TLCs, NAFTA, asimetrías, política comercial.*

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RESUMO

ALCs ganharam política comercial importante em países latino-americanos, em detrimento de outras formas de integração econômica. Nesta tendência, há uma predominância de sul-norte, onde todos os esquemas de tipos de assimetrias são evidentes. O objetivo deste artigo é demonstrar que a redução das assimetrias deve ser a meta principal dos TLCs. A metodologia é uma revisão da literatura sobre o TLC da América Latina com os Estados Unidos, particularmente aqueles assinados por México, Chile e Colômbia. Como resultado, vemos que um tratamento adequado das diferenças entre as economias, não apenas desejáveis para o desenvolvimento dos países latino-americanos é possível através da política monetária e industrial ajustado à realidade desses países.

Palavras-chave: *integração econômica, acordos de livre comércio, o NAFTA, as assimetrias, a política comercial.*

JEL: F41, F15, F63.

PRESENTATION

Economic integration gained unusual momentum and changed the correlation of political forces in the international arena; e.g., when the end of the cold war gave way to an apparent single model of development: capitalism understood form the neoliberal conception as the only viable alternative for growth and development of nations.

There seems to be a common tactic in the evaluations of the integration processes; to hold the asymmetries between the economies responsible for the relative failures of such processes. However, the economic structure, GDP, export activity, income, or openness are not the only factors that account for such results, there are others with an institutional, political and even cultural character.

Integration has been promoted as a panacea for the growth of countries and even the 505 RTAs registered to the GATT / WTO as of November 2011 are shown as a commendable result when that doesn't necessarily reveal a commitment to multilateralism and, furthermore, there are no bigger tokens of success recorded so far; in whole or in part, there are no satisfactory successes (De Lombaerde, 2002, 17). With great difficulty consistent processes have led to convergence in growth and development, with the European Union as the only case with apparent success.

This article aims to show how the reduction of asymmetries should be a priority in free trade agreements. For this, in the following part some conceptual premises are presented, while in the second part the experiences of the enforcement of FTAs are analyzed, to conclude with the relevant points to be considered in the treaties as a corollary.

ASYMMETRIES: MORE THAN PRODUCTION

Economic orthodoxy managed to provide basis for a simple model where the advantages that a country has in manufacture, absolute or comparative, should lead it to productive specialization, thus achieving the optimization of factors and at the same time, profit- when free markets are allowed to rule the international trading of goods. To these approaches, as has been characteristic of liberal theory, different postulates have been added to conform a body of analysis with strong arguments and complex mathematics.

And so has been the theoretical development that has taken a stronghold in microeconomics to defend specialization and free trade. Since then there has been a number of advances that have enabled the reaffirmation of the doctrine. Some of them have been of a high impact on the academic world, as is the Heckscher - Ohlin theorem that managed to prove the impact of international trade in economies through factor mobility in search of better conditions of production and specialization; or the one presented by Stolper - Samuelson who raised the possibility of wage convergence between countries. On the other hand, in the manufacturing scenario, especially between the 1970 and 1990, there were contributions highly regarded for their influence; theories like the product cycle, economies of scale or the generation of competitive advantages (Porter, 1991) all designed to use microeconomic theory and innovation to demonstrate not only specialization but also free trade as drivers of growth.

Two breakpoints between orthodox models and alternative approaches occur: the first is the Sraffian model, known to place its emphasis on the simultaneous determination of prices and distributive variables: wages and payoffs, arguments which were taken up by the current neo-Ricardians who adapted the “production of goods by goods” to their patterns of specialization. The second is the so-called new trade theory, which, in the words of Krugman and Helpman (cited by Garay, 1998a, 15), “there is certainly a philosophical difference between new and old arguments. In traditional analysis, the distortions that might justify government intervention were super imposed on the theoretical framework whose basic logic was that of an efficient competitive equilibrium. In the new theory imperfections are introduced from the start. Thus, the interventionist argument is deeper in the logical sense. However, there isn’t much of a difference in practical terms”

Thus, the current theory turns economic growth models into the essence of how nations get rich through saving, investment and productivity of factors. Indeed, the new contributions of theories of growth have a higher level of formalization for the large amount of empirical information available, being able to develop mathematical and econometric tools, consequently supporting the analysis that shows how, based on the assumptions of the theory in the formulations and extensions have been doing them: the contribution of education, technological development, productivity or institutions, economies tend to converge towards a steady state[1], this being the guarantee for countries to attain the highest level of long-term welfare in accordance with available resources and factor endowments.

However, despite the great theoretical and empirical developments that neoclassical theory can display, the debate is not over, because as much evidence there is to prove the benevolence of the use of static comparative advantages, and even dynamic ones, and productive specialization in economic growth, there are also enough theoretical criteria and not less quantitative information and models, even, to raise the importance of diversification as a synonym of prosperity in countries that in recent decades have overcome lagging development and poverty.

Sensibly, convergence should be taken as a “partial truth” in economics. Growth models have been becoming more sophisticated not only in their mathematic parameters but also in adding variables that make them more complex and dynamic and yet, convergence has not always been demonstrated, moreover the usual is that underdeveloped economies show slower growth in their economies than those obtained by stronger economies and their per capita income levels are lower.

So, economic integration emerges as the way in which economies could take advantage of others’ advantages and free trade would contribute to convergence. None other than the leverage of large economies to small ones, with trade as the

1 For neoclassical growth economy, the steady state means the point where saving and investment are balanced so that per capita income and capital are held constant. On models of growth there are two types of convergence: absolute convergence type b (beta convergence) which refers to the capacity (speed) of an economy to grow faster than another, which allows developing countries to reach the Steady state characteristic of a developed country. On the other hand is the convergence s (sigma convergence or dispersion), which measures the speed of the trend of per capita income dispersion, i.e. it is intended to be a measure of how low income dispersion decreases across countries. Obviously, for sigma convergence to occur, beta convergence is necessary.

instrument for this feat, as if the asymmetries between the participating nations were the only result of conditions of production and trade.

Indeed, some differences characterize the participants in the processes of integration and refer to asymmetries vis-à-vis the commitments made, where it is assumed that the governing criteria is to allow the integration process to benefit the status of a country or group of countries against others whose initial conditions are different enough to have some perks, generating hierarchical systems in trade.

Another group of asymmetries points to the differences in decision-making processes, institutional organization and even the economic, political and military position of countries at the moment of integration.

Now, the literature of international trade has postulated that asymmetries are precisely the reasons why countries should converge towards integration, serving as tools to enable the coming together of economic growth, which should result in a better consolidation of development for these societies. However, leaving aside that this is a revealed truth in economics, theory has also postulated that integration between very divergent countries leads to the amplification of the differences between them (De Lombaerde, 2002, 24).

However, it is the negotiation of integration processes the moment which should lead to a clear definition in the treatment of asymmetries.

Today, the way in which imbalances are addressed is explained by a change of thinking about development and trade policies. Moreover, the emphasis on transition schedules and the provision of technical assistance has tended to reduce the alternatives, compared to how this issue had been addressed in other negotiation processes. Traditionally, the differential treatment in trade agreements to address the asymmetries in the levels of development and size has included five types of rules: time-limited exemptions from obligations and longer periods to carry them; favorable thresholds for undertaking certain commitments, flexibility in duties and procedures; best endeavor clauses and other commitments, and technical advice and assistance (Bustillo & Ocampo, 2003, p 16).

These authors also show how the issue of asymmetries in trade agreements has been changing in recent decades to become just a matter of tariff schedules and extension of rules of origin measures:

> The treatment of asymmetries in the process of negotiating trade agreements between countries has gone through different historical episodes. Until the early eighties it was considered that the best tools to reduce the negative effects of asymmetries in the countries in their trade relations was the discretionary policies aimed at maintaining trade barriers and to protect infant industries. From mid 1980s, the emphasis on unilateral liberalization led to reconsider how asymmetries should be addressed and the usefulness of differential treatment, as had been conceived. The concept changed and focus shifted away from preferential access and differential provisions, to emphasize the difficulties faced by developing countries trying to meet WTO obligations. Thus arose an alternative paradigm, in which the basic objective of trade relations was to provide “a level playing field” for the efficient and free operation of market forces (Bustillo & Ocampo, 2003, 14-15, Villareal , 2004, 44).

It is necessary to consider that the practice of leveling the playing field may also worsen asymmetries. If under agreed rules the autonomy to adopt active productive development strategies is eliminated, the linkages between export and GDP growth will weaken, and this could also lead countries to specialize in sectors of static comparative advantage and little dynamism in world trade. (Bustillo & Ocampo, 2003).

Although it is denied in the discourse of free trade that nations are to be seen as productive units that must engage in strategic redefinition of their production and even of their trade, in order to compromise their factorial ability to build advantages that position their goods and services in world markets. The above mentioned is called the strategy or the competitive advantages of nations and is, today, a logical tool of trade that has transcended even territorial definitions of competitive spaces, giving life to the concept of industrial districts Marshall, territorially effective especially in southern Europe (Becattinni, 2002), to the concept of clusters (Porter, 1990), production chains and therefore giving importance to micro territories and spaces of the location of productive activities, where, ultimately, outside the conceptual abstractions of nation or region, it is the territories what actually support the synergies and knowledge to achieve productivity and competitiveness needed to successfully enter the global market.

Under these parameters and with a hint of imperfection when facing negotiations and agreements on a bilateral free trade, Latin American countries and Colombia in particular, are assuming integration processes aimed at constituting political dynamics from which economic performance is derived; in other words, it is manifest in treaties signed, especially in the FTA with the United States of America (USA), that the political is a priority, leaving the economic result in the hands of the strong country to be assigned to the weak one, that is, economics is the beginning and the end of negotiations but the process is clearly political, and that is where Latin American countries subject negotiations to the political prowess of the United States, who uses the asymmetries of all kinds to impose its own criteria.

In fact, the size of the Colombian economy amounts to be only 0.7% of that of the overall American continent when measured by production. The average income per capita in Colombia is 10% compared to the United States, that regardless of inequality measures. Colombian exports represent only 0.019% of U.S. export capacity and its imports mean the 0.001%.

On the other hand, according to World Bank data Colombian exports represent 1.04% of the region, while on imports Colombian participation is 0.66%, whereas the United States participates with 54.58% and 66.14% respectively.

So, perhaps, the more significant element has been the position of the United States regarding the agricultural sector. Indeed, despite the existing asymmetries, the United States assumed agriculture and livestock in the country as part of their national security conception, excluding any possibility of exposing it to competition, even if it comes from poor countries without further competitive conditions and without the subsidy policies that often accompany this sector in industrialized countries, especially the United States.

However, the management of the asymmetries is not always left to the free will of markets or to MFN regulations. The experience of the processes that led to the consolidation of the European Union, even in these times of crisis, have shown how through solidarity and cooperation, convergence turns from rhetoric into reality. This has been achieved through structural funds, which collectively build upon common goals and policies that help less-advantaged countries to have sufficient resources to facilitate their growth and development. Ultimately, it was through cooperation that after World War II United States was able, through the Marshall Plan, to contribute to the reconstruction of Europe, a process that was repeated in Japan, but unfortunately has not continued despite the summits and the good intentions of international development cooperation.

TREATIES AND RENEWED STRATEGY

Given the political vicissitudes of the negotiations that should have led to establishing a free trade area of the Americas (FTAA), and a strengthening of the political left and center, which have gained access to important presidential offices in the hemisphere and have emphasized the need to build an integration process in South America, President G. W. Bush returned to an old strategy that had paid off only with Mexico: bilateral agreements that shield the United States foreign trade against other continental negotiations that were not favorable for them.

Thus, talks with Chile resumed, which led to the signing of an FTA on October 22, 2003 and with Central America, that despite negotiations being completed on May 28, 2004, had difficult transition to full approval in the U.S. Congress. But not as difficult as the FTA with Colombia, which has required a special agenda in labor for passage and approval by Congress only in 2011.

According to the Economy and Energy Ministry of Chile, the agreement between this country and the United States was balanced and comprehensive [2]. One of the advantages that can be discerned between these two actors is that the treaty is a bilateral recognition of the positions and capacities of the two economies. Contrary to what occurs with other treaties that the United States signed with other Latin American countries, Colombia and Central America being the case in point [3].

Obviously, the Chilean case shows a thoroughly thought and balanced scenario. The Chilean government has been concerned with maintaining trade relations with Asian and European countries, thus obtaining success in their relationships, it has also made a serious commitment to multilateralism, supplemented with the support of friendly countries in their process of return of democracy after so many years of dictatorship.

The agreement positions Chilean products, establishes permanent rules for trade in goods, services and investments. Similarly, it sets the conditions according to its commercial interests. Mechanisms to defend Chilean business interests in the U.S. are defined, as well as precise, transparent and effective mechanisms for resolving trade disputes. It reinforces the stability of economic policy and institutions and further improves the risk assessment of Chile, lowering the cost of credit and consolidating capital market stability. On the other hand, Chilean companies can participate in the procurement of the U.S. government.

Central America and the Dominican Republic have gained significantly on textiles and apparel, sectors where the region has been gaining a important presence in the U.S. market. Sugar should grow to 1.7% of production of the United States in the 15th year, given the possible removal of sanitary barriers. On the other hand, the United States made 80% of manufacturing and over 50% of agricultural products entering the country from this region duty-free.

In general, recent treaty negotiations feature an “aggressive” U.S. market opening approach to grant Chile and Central American access, reciprocal negotiation that allow American products to reach these markets with minimal tariffs and deepening processes of tariff reduction between 8 and 10 years. In the case of Chile, the agreement stipulates that about 85% of the products of the two countries have zero tariff. In the case of Central America, the zero tariff operates under the MFN principle.

The agreements state that on safeguards and antidumping measures will be applied based on MFN criteria, which obviously suits the smaller economies, including compensations and three and twelve year periods. The most benefited sectors in both agreements are the agricultural and textile - clothing. On the other hand, the agreements in this area not far from WTO rules on these items.

2 “(...) It includes all aspects of the bilateral economic relationship, trade in goods, services and investments, as well as incorporating issues of the new economy and e-commerce, and a modern treatment of environmental and labor issues.” Ministry of Economy and Energy

3 The U.S. is the largest trading partner of most Latin American countries, so it should be thought that this might later affect the trade of these countries due to the vulnerable state of the U.S. economy. Other commercial spheres should be sought after and thereby establish relations that in the future will help solve the problem of relying heavily on a single partner.

One of the hard aspects of discussion on NAFTA is related to sanitary and phytosanitary matters. The idea is that rules must fit within the parameters set forth in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). In the Case of Central America the U.S. pledged to eliminate obstacles to trade in meat and food.

In terms of investment and although in principle convergence is sought after, the agreements are based on the following points: Prohibition of expropriation to investors, free mobility of investment and transfers in the territory and equal treatment of investors vis-à-vis nationals (national treatment).

The financial sector in these treaties assume what is their long-term trend over the past two decades from the Basel Accords on, which is to regulate the equity soundness of financial institutions, i.e., consolidated cross-border trade in financial services, allowing commercial presence. In the services sector an issue that is beneficial for Latin American economies was raised. The United States is committed to changing the rules that protect strategic sectors from foreign competition, such as telecommunications, energy, transportation, financial services, among others. Obviously today, even as these agreements an in force, in the face of a fragile economy great achievements in these areas are not to be expected.

Three of the so-called strong themes in these treaties where asymmetries are the predominant factor are public procurement, intellectual property and the environment. Regarding the first, free access to bilateral public markets is stipulated, in other words, open competition in government procurement is obtained and entrance to the American public market is allowed. This is interesting when you think about the size of United States Transnational Corporations and the economies of scale that they are able to generate.

With regard to property patents are protected according to international standards, and safeguard channels of access are created for medicines as social security by not making patents mandatory for diagnostic, therapeutic and surgical methods, the same with second use patents. Suffice it to say that not properly developed economies which are not characterized by their investment in science and technology or, worse still, do not have enough experience and resources to patent scientific and technological developments.

Apropos the environment the agreement commit to respect the regulations in each country and to accept those levels of environmental and natural resources protection, besides establishing an institutional practice that ensures protection and conservation. A complex factor bearing in mind the institutional weaknesses of these countries.

The agreements stipulate that labor issues will be regulated in accordance with the provisions of each country and following the agreements and the Declaration of Principles of the International Labour Organization (ILO). It allows also access to tribunals for the enforcement of labor laws in each part. The agreements do not provide free labor mobility, which remains under the existing access conditions (in fact it is understood that the barriers are at the United States to prevent mobility from small countries) and provides certain professional qualifications and privileges recognition and business entries. Items that particularly in the treaty with Colombia, given the difficulties to secure association and human rights in this country and the internal labor dynamics, become complex and lead to difficult situations for American workers.

The United States implemented a trading strategy where its production can access other countries without major tariff and nontariff barriers, while they carry out 54.58% of the continent's exports and 66.14% of the imports. Chile for example, has 1.43% of exports, but only 0.97% count and that is the Latin American country with the best income and consumption rates[4].

Only the North American Free Trade Agreement (NAFTA) controls 88.24% of the exports from the Americas and 89.56% of its imports. Taking into account that Brazil and Argentina are participating with 5.95% and 4.6% respectively, the FTAs of the rest of the continent (including Chile and Central America), represent 5.45% of exports and 5.84%. It should also be recalled that the U.S. signed the NAFTA on January 1, 1994 to facilitate trade integration between the U.S., Canada and Mexico. After the signing of this agreement, virtually all tariff reductions have reached their agreed minimums (the latest in 2008).

Overall, NAFTA is not far from what has been signed with Chile, Central America or Colombia, moreover, the experience with Mexico has helped the U.S. take a stronger stance vis-à-vis trade with the Continent. However, the crisis that occurred in Mexico in 1994, after the signing of the treaty, prompted both the United States and Canada to use capital markets to strengthen the Mexican economy, something that shows the favorability of the treaty, but that has not occurred with other economies, probably due to concerns with migration and protection of American capital invested in Mexico. In subsequent crises, aid has not been as strong as it was in the past.

De la Garza (2003, 115) states that the NAFTA generated a positive impact on Mexican exports, but that also produced problems in balancing the current account balance of payments, due to increased imports. On the other hand, this macroeconomic performance is not all result of the Treaty; the political problems of December 1994 due to the indigenous people of Chiapas led by comandante Marcos, the consequent fall in investment and the negligible effect on income, wages and employment in general made the NAFTA perform below expectations.

Nonetheless, the impact on the economic structure has been important. The agricultural sector has been decreasing its contribution to GDP since 1986 (Villareal, 2004, 248), lowering its share from 5.5% in 1994 to 3.9% in 2010. But the big winners of the Treaty have been producers of fruits and vegetables, opposite of grain producers who have had to endure a tough competition. In 2003, Mexico had to establish an agri-food shield, in order to protect small producers and farmers from the variations in international prices. This policy has little effect given the existing asymmetries between the three NAFTA countries, where the issue of corn and food and grain destined to the production of biofuels in recent years showed the vulnerability of these economies to the decisions of the United States.

De la Garza (2003, 91-92) concludes that the distance in terms of social-technical, technological, industrial relations and profile of the existing workforce of the Mexican industry to its NAFTA partners was increased before the signing by the factor concentration, i.e. the reduction in the number of large firms linked to increased production and reduced workforce. This feature also happened to SMEs, Micro enterprises have increased along with the employment generated by them but their share in production has decreased.

Mexican exports have grown thanks to the treaty but have also concentrated. 67.3% are performed by such industries as automotive and auto parts, electrical and electronic machinery and equipment. Notice how these sectors are also characterized by little job creation. 80% of Mexican exports, De la Garza states based on figures from the Economic Census of Mexico, are carried out by 700 forms, representing only 2% of all the exporting companies. The changes in production have also been characterized by an increase in the maquilas (or assembly operations, which account for 90% of

4 Author's estimates based on data from the Organization of American States [OAS]

exports) that in turn cause significant changes in society (De la Garza, 2003).

With regard to internal trade, the increase in Big-box stores has been considerable. Villareal (2004, 245) shows the growth of the eight major retailers; led by Walmex (Walmart de Mexico), which controls 54% of sales, those eight companies own 83% of the sales floor, when in 1994 they had 74%. This concentration of internal trade in big players has resulted in changing the structure and composition of trade. This implies the loss of relative share of other types of trade, such as small supermarkets, convenience stores, shops, traditional markets and in general those sectors that are not able to withstand the advances in logistics, transportation, packaging and preservation of department stores.

In any case and as it has become usual in economic affairs, there is no consensus among analysts regarding assessment issues of NAFTA. A World Bank study conducted between 2003 and 2004 (Lederman, et al., 2005), which is quoted even by those most critical of the Treaty, shows how NAFTA had great success in macroeconomic stability, synchronization of business cycles, and convergence, though incomplete, that was only interrupted by the crisis period caused by the Chiapas affair.

Further work is required in areas such as fiscal deficits, institutional strengthening and productivity of the factors (especially labor) as conditions for increased competitiveness. The econometric models developed by the World Bank conclude that the Treaty helped the GDP per capita grow, and in fact, they argue that failure to sign the Treaty would have lowered the GDP per capita between 4% and 5 %.

COROLLARY: MAKING THE NEED FOR CONVERGENCE EXPLICIT

The advantages of economic integration are not entirely clear from an economic point of view. Dismal science theorists have not agreed on whether the processes of integration and unification are benevolent when assessing the conditions for growth and development of nations. Nor is the degree of openness. It seems a paradox that output growth is not necessarily correlated with the levels of openness to international trade.

What is becoming clear is a strong worldwide opposition to the magic formulas endorsed by multilateral organizations, and imposed on Latin America through the so-called Washington Consensus. Liberal orthodoxy has forced underdeveloped economies to withstand higher levels of macroeconomic volatility and thus causes a permanent weakening of structural capacity, deepening the misery and poverty problems, even more so today when the industrialized center is immersed in an unprecedented crisis.

However, despite the rigorous technical discourse on the need for openness, economic integration and deregulation of markets, industrialized economies have a durable tradition of state presence combined with strategic sectors protection conducive to obtain their macroeconomic and social stability.

As a result integration processes are be ingdesigned on non-homogeneous foundations, i.e., in the case of Latin America’s integration with the United States and particularly in the case of the FTA with Colombia, the asymmetries of both growth and development not have been discussed, prevailing tariff exemptions on goods that are not a priority for the United States (in agriculture, for example) and the full opening in the areas of capital, investment and intellectual property.

Evaluations provide private lessons for Latin America in three areas in particular: a. Opening Strategy: passive openness versus active opening and integration to globalization; b. Negotiation: asymmetries and competitive capabilities; and management policy instruments: trade liberalization, exchange rate and industrial policy.

The results so far are not consistent with what might be expected according to economic theory, which should lead economic policy to commit to adapt to new market conditions and to develop relevant guidelines to the specific social spaces after accepting the changing realities and moving beyond theoretical frameworks: “The great lesson from the experience of Mexico in NAFTA is that passive liberalization via free trade agreements coupled with passive industrial policy leads to an export model of dynamic assembly manufacturing with unsustainable domestic productive disarticulation” (Villareal, 2004, 280).

Nadal and Chavez (2003) state that the main lesson of NAFTA is the existence of:

> (...) Other means of economic integration where the domestic market development is the priority and which do not eliminate the state’s role as an active promoter of sustainable development. This alternative route involves retrieving policy instruments, both macro and sectorial, that stimulate growth and put it to the service of development. It also implies respect for local priorities, recognition of asymmetries between countries and a socially responsible approach to economic and environmental sustainability.

On the other hand, Audley et al, 2003, take stock of NAFTA impacts, particularly on rural and poor areas, concluding that:

> “Free trade agreements should not be considered an end in themselves and should be released from unrealistic expectations. On the contrary, they should be considered part of a larger effort aimed at a high level of bilateral and regional cooperation in the pursuit of common goals.
>
> (...) Trade liberalization is going through a crisis of legitimacy around the world, from rural farmers in Latin America, through the African cotton producers and workers in the manufacturing sector in the U.S. and Europe. Governments can regain public support for new trade agreements, but must change their current tactics.
>
> First, they must stop making empty promises that trade liberalization alone will create new jobs or a clean environment, or stop the flow of illegal immigrants. Second, they should emphasize the long-term and avoid unnecessary setbacks, strengthening the capacity of national economies to respond to shocks when exposed to the international market. The needs of developing countries must be taken into account in trade negotiations, so that real opportunities for growth and development are rationally created, and the citizens of these countries can to become consumers in the global economy. That is how, in the long run, everyone will achieve greater prosperity.

All this shows that the choice made by Latin America, subject to the United States initiative, take a path not accepted by much of the academic community and even by other integration experiences, such as the European Union. Denial of key elements to address the asymmetries, such as building a distinct development model in accordance with the free market, strategic protection from the economic and social standpoint; and economic complementarity as a basis for the process has led to experiences such as the Mexican one to generate failures that seem to be repeated in Central America and Chile and this is not to be different in Colombia.

However, in the case of FTAs (or Association Agreements in the European case) and probably in subsequent larger agreements, asymmetries treatment will be a result of the negotiation process. In fact, the transitional measures included in NAFTA that allow differential treatment were the result of the negotiation process and not an a priori concession to Mexico because of their level of development. This agreement, as well as other recent north-south agreements have tended to address the asymmetries by specific transitory negotiated provisions, rather than exemptions to the general rules and disciplines, providing, in particular, greater flexibility and longer deadlines for the implementation of commitments (Bustillo & Ocampo, 2003, 14) but this is a scheme that does not contribute to the solution of asymmetries and that cooperation is limited to schedules and does not deal structural problems under precepts of solidarity and cooperative integration.

Perry (Lederman, 2005, xxi - xxii) suggests three conclusions about the World Bank study, which are important in the light of the lessons for the new treaties and the integration of the Americas:

> a. Trade agreements with industrialized countries can have positive effects but are not the panacea. They create opportunities (and challenges), but do not guarantee results.
>
> b. (...) The impact varies widely across different types of workers, enterprises and regions and it is necessary to supplement the treaty in general and the development agenda with focused policy actions that benefit those most affected or those that may be affected.
>
> c. Under NAFTA, some pitfalls were not avoided, especially on "(...) rules of origin, which have greatly limited the ability of Mexican companies in many sectors to take advantage of NAFTA preferences, and observation committees do not seem to have had a major impact on the incidence of differences and the effectiveness of solutions before or after NAFTA.

Sen, in a foreword to an investigation by Oxfam (2002) states that is possible to implement a model that does not involve the harmful results for the distribution of income that so far have come along the implementation of globalization and trade agreements, but they must be achieved on the basis of a different negotiation, of an ethical and political stance on the development of mankind that leads to redistributive justice without abandoning the ideas of global trade:

> Global interaction, rather than isolation, has been the basis for global economic progress. Trade -along with migration, communication and dissemination of scientific and technological knowledge, has helped overcome the dominance of a grinding poverty (... and even then) the great benefits of globalized trade have achieved some but not all.
>
> What is needed is to create conditions that allow for a full and fair distribution of the enormous benefits of trade. Can you do this without destroying the global market economy? The answer is a resounding "yes." The application of the market economy is consistent with very different forms of resource allocation, performance norms (such as patent laws and antitrust regulations) or conditions that encourage participation in the market (...) Depending on these conditions, the market economy itself would generate different prices, unlike commercial terms, different distributions of income and, more generally, different global results. Institutional and political reform can radically alter the current levels of inequality and poverty, without sinking the global economy with them.

There is a clear challenge for economic policy and regulations. FTAs and globalization are leading to a world run by corporations where countries are at the expense of these decisions and capital flows in the international context. It is therefore necessary to declare trade barriers in the name of national security when international capital is the decision maker. The regulation and development models must change to adapt to new realities.

The current path neglects the possibilities of States to set the growth and development guidelines that result in things like:

1. *Protecting the country's food security:* The negotiation of agricultural issues has become the most discussed item for the country but for the United States this does not merit any discussion. The stance is clear: U.S. agriculture is protected through subsidies and tariffs, as a strategy to preserve their country's internal security without regard that in the counterpart, that is, in Colombia, agricultural production is at a high risk not only for being exposed to the issue of subsidies by the United States (and to the Common Agricultural Policy of the European Union) but is at odds regarding biotechnology resources and increased productivity.

2. *Achieving production complementarities in order to enable a sustained and sustainable growth.* Negotiations are being made on tariffs only, so no complementary agreements leading to the strengthening of the national productive structure are being created, tariff reduction and market access in the United States are the only concerns.

3. *Enabling an improvement in working conditions for Colombian workers.* The United States have proposed the enforcement of ILO agreements, according to its internal regulations. At first glance the matter is laudable; the problem is that the U.S. disregard much of the existing ILO agreements which creates a great uncertainty in the workplace, especially when lay-offs and low-end jobs are the constant in the Colombian economy. The FTA should be the opportunity to generate an increase in salaries instead of using low labor cost as a competitive tool; a strategy that, additionally, is becoming less common in the international environment, especially given the requirements of the labor clause that the United States and the European Union are trying to push at the WTO.

4. *Privilege to create conditions of Colombian exports to the U.S. market.* Trading based on tariff reduction cannot guarantee access the U.S. market, China is indeed a risk for Latin America, it has zero tariffs and increased competitiveness. The United States is not seeking to protect the production of its partners and consequently it will be very difficult to find opportunities and benefits within the treaty.

NAFTA was approved under very different parameters than those required to generate complementarities and solidarity between the two economies. There are no targets on standards for growth, development and productivity, which difficult the consideration of the benefits.

Anyway, this process is very complicated, it seems that it will bring very few benefits to the Colombian society, benefits will be concentrated only in some productive sectors and traders, but not belonging to this group means considerable losses in the economic, social and political aspects. The National Government will determine whether the benefits can become a potential engine of growth, development for the country and expansion of democracy and equity.

The FTA process is not subject to clear rules, much less to a conception of development by the Colombian team. It is based on the premise that the best development model is one that does not exist, leaving this, the model of industrialization, growth and development for the Colombian economy, as the result of treaties. In other words, future is being left in the hands of fate, of the relations with the United States, a dubious strategy for the enormous challenges that an exporting country faces to reduce poverty and increase equity and democracy. It may be time to look south, to strengthen Latin American integration and understand once and for all that the game of multilateralism and free trade start with equal relationships, and that is also true for trade, growth and development.

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