

**Trade Governance in Latin America. Interest
Articulation and Institutions across Negotiations in
Argentina and Chile**

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To my parents.
To Fer and Chiara.

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SUMMARY

The trade agenda has undergone significant transformations during the last 25 years. Negotiations have moved from the reciprocal reduction of tariff barriers to include the construction and harmonization of regulatory frameworks in different policy areas, while trade liberalization has simultaneously advanced at the regional and multilateral levels.

This research explores under what conditions the launch of trade negotiations – symmetric (South-South), asymmetric (North-South), and multilateral – have a differential impact on domestic governance. Based on a systematic and contextualized comparative analysis of the complex constellation of domestic actors and interests, and the relationships and interactions established among them in a particular institutional setting, our study argues that these different trade agendas generate diverse policy dynamics.

Findings show that the variation in the scope of the agenda, the uncertainty of political outcomes, and the technical requirements attached to these negotiations have important consequences for the ways in which domestic state and non-state actors define their interests and collective action strategies.

RESUMEN

La agenda comercial ha sufrido importantes modificaciones durante los últimos 25 años. Las negociaciones han pasado de la reducción recíproca de tarifas a la construcción y armonización regulatoria en distintas áreas de política, mientras que la liberalización comercial ha avanzado simultáneamente a nivel regional y multilateral.

Esta investigación explora bajo qué condiciones el lanzamiento de negociaciones comerciales – simétricas (Sur-Sur), asimétricas (Norte-Sur) y multilaterales – tiene un impacto diferente sobre la gobernanza doméstica. A través de la comparación sistemática y contextualizada de la compleja constelación de actores e intereses domésticos, y de las relaciones e interacciones establecidas entre ellos en un determinado escenario institucional, nuestro estudio plantea que estas distintas agendas generan diferentes dinámicas políticas.

Los resultados muestran que la variación en el alcance de la agenda, la incertidumbre de los resultados políticos, y los requisitos técnicos de estas negociaciones tienen importantes

consecuencias sobre la manera en que los actores estatales y no estatales definen sus intereses y estrategias de acción colectiva.

PREFACE

There is little discussion today that the trade agenda has undergone important transformations during the last 25 years. Changes are both qualitatively and quantitatively striking.

In quantitative terms, the revitalization of regionalisms – often referred to as the “new regionalism” or second-generation agreements – and the rapid expansion of free trade agreements (FTAs) have occurred within an international scenario defined by the multilateralization of trade through the creation of the World Trade Organization (WTO) in 1995¹. From a qualitative perspective, changes have been twofold. On the one hand, since the 1990s there has been an upsurge of asymmetrical trade agreements and negotiation processes, that is to say, agreements and negotiations spanning the divide between developed and developing countries – something that could have been inconceivable within the so-called “old regionalism” and as late as the mid-1980s. On the other hand, the trade agenda has undergone significant transformations.

The conclusion of the Uruguay Round (UR), which led to the creation of the WTO, signalled the evolution of the trade agenda beyond the elimination of trade tariffs and the exchange of goods. The multilateral agenda embraces now trade in services together with rules related to intellectual property rights (IPRs), investment, and non-trade barriers (NTBs) that could be restricting the access of imported products in domestic markets. Consequently, multilateral trade rules involve issues that are technically more complex, and which impinge on areas traditionally considered as exclusive competence of states, promoting processes of deep integration.

Multilateral trade liberalization has run parallel to the expansion of the forces of regionalism, as shown by the sheer number of trade agreements signed since the end of the 1980s in Europe, but also in the Americas and Asia. One of the most innovative features of these regional projects was that they pulled together developing and developed countries. By opening countries to regional markets, these initiatives included a wide array of issues, ranging from the reciprocal reduction of tariffs to the harmonization and/or construction of regulatory frameworks, being this more marked in North-South agreements. As a

¹ In this investigation, the term “regional agreement” refers to preferential trade agreements, free trade agreements, customs unions, and common markets.

resulting of these developments, the trade arena has become far more multifaceted and policy challenges have changed.

Certainly, one would logically expect the activation of more actors as agendas expand. The literature has acknowledged this and has found that as the agendas enlarge and promote deeper pressures for convergence in regulatory frameworks, a trait especially evident in areas traditionally considered as pertaining to the domestic arena and as exclusive competence of national states, they affect the incentive structure of a wider range of non-state actors. Hence, the traditional cleavage between free traders and protectionists seems to have been superseded by more complex constellations of non-state actors [Ostry 2002; Botto 2004a; Woll & Artigas 2007].

At the same time, changes in the nature of the trade agenda imply new challenges for governments. In this sense, and as argued in the literature, these developments have created a far more testing environment for state actors as far as their capabilities and expertise, and their legitimacy are concerned [Ostry 1997; 2002; Tussie 2003a; Hocking & McGuire 2004b; Kelly & Grant 2005].

The literature has extensively acknowledged the impact of a more diversified and deeper agenda on the articulation and coordination across state and non-state actors. However, to our knowledge studies have not focused on the variation in the domestic processes of interest definition and articulation across negotiations.

We believe this is an issue that demands further analysis since when analysing regional – symmetric (South-South) and asymmetric (North-South) – and multilateral (WTO) negotiations, differences emerge regarding the characteristics and number of actors involved and the specific arena or level where they take place. Divergence is also evident when it comes to the agendas and commitments under negotiation, which entail different pressures on domestic trade governance.

Our research was thus designed to contribute a cross-negotiation perspective to the literature on trade governance: Under what circumstances do these various trade negotiations promote particular constellations of interests and strategies, leading thus to specific patterns of articulation between state and non-state actors?

This question builds on previous research where the objective was to analyze the transformations and changes introduced in the decision-making process in the context of

the regional trade negotiations launched in Latin America during the 1990s [Bianculli 2006]. This prompted a refinement of our investigation by extending the focus of our analysis to multilateral trade negotiations, on the one hand, and by concentrating the examination of public-private articulations on a specific stage of the trade decision-making process, namely, the launch of trade negotiations, on the other. In turn, this would allow us to deepen the analysis of the domestic political process underlying symmetric, asymmetric, and multilateral trade negotiations, while at the same time contributing to the literature on trade politics by analyzing trade governance from a cross-negotiation perspective.

Studying trade governance in the South

Our argument is that these various trade negotiations have a differential impact on domestic governance, taken as a continuous process and the dynamic result of the interaction and coordination among different state and non-state actors [Pierre 2000b; Pierre & Peters 2000].

Certainly, there is a vast literature on trade politics, and different disciplines have approached the study of trade policy. From an economic perspective, analyses have revolved around structural factors, namely, a country's factor endowment and commodity trade patterns. Even if more recent studies have developed complex models to account for free trade as the best policy for most countries, these economic approximations have overlooked what the political determinants of trade are. Political scientists have attempted to fill this vacuum. While trying to explain both protectionist and free trade policies, scholars in this discipline have opened up the analysis of state motivations and the role of institutions. Nevertheless, political scientists have tended to work on a comparative perspective as they try to explain institutional variation across nations. Finally, international political economy (IPE), though advancing in the study of the relations between states and markets and across levels of analysis, has promoted a structuralist and systemic approach to the study of trade politics. Based on this divide between the state-centrism of the comparative tradition and the systemic bias of IPE, scholars have recently called for a constructive re-engagement between comparative politics and IPE [Caporaso 1997; Phillips 2004a].

Our study is precisely intended to contribute to this re-engagement and dialogue between these two disciplines. Given the complexities and specificities domestic actors face when dealing with more complex and highly technical agendas in a context of constant and even simultaneous trade negotiation scenarios, more traditional approaches appear to be insufficient to fully grasp these novelties and challenges. Moreover, so far, studies have failed to provide a systematic analysis, based upon a shared frame of reference, of domestic governance from a cross-negotiation perspective. The variation regarding the activation and organization of interests across trade negotiations has not been examined in an exhaustive and extensive manner.

In attempt to fill this gap in the literature, we propose a detailed and focused analytical model to account for the activation of actors and the definition of interests and collective action strategies in the context of symmetric, asymmetric, and multilateral trade negotiations. In doing so, the analysis goes beyond traditional approaches centred on the notion of the state as a rational and unitary actor, who pursues a clear and identifiable “national interest”, on the one hand, and on distributional coalitions – namely, import-competing and export-oriented groups – on the other. As more recent studies have shown, in the current context of trade policy, “new” actors demand more transparency and participation in trade policy decisions in different negotiation forums and attempt to counterbalance the weight of business sectors. At the same time, state actors develop different strategies intended to build on their trade capabilities and expertise, and their base of political support and legitimacy at the negotiation table.

Based on the differences observed across these various trade negotiations, the research is intended to provide an analytic narrative of the complex constellation of domestic interests and collective action strategies that are activated by an external variable: the launch of symmetric, asymmetric, and multilateral trade negotiations.

Moreover, our purpose is to take this question to Latin America, where the conversion to trade liberalization was especially dramatic. After almost 50 years of sealed domestic markets based on high levels of protectionism, Latin American countries embarked on deep structural adjustment programs, intended to promote deregulation, privatization and trade liberalization, including tariff reduction and the elimination of subsidies [Teichman 2001]. The implementation of trade liberalization was one of the most advanced areas of structural reforms. While at first, Latin American countries pursued unilateral liberalization

of trade and investments, once the benefits of this strategy were exhausted, national governments would promote a complex network of regional agreements, both through the revival of old initiatives and under the format of the so-called new or open regionalism, while at the same time endorsing multilateral trade rules. Consequently, the region became immersed in multiple and simultaneous trade negotiations, including both South-South and North-South initiatives and multilateral negotiations at the WTO. These various and simultaneous trade negotiations involved important challenges and novelties for Latin American countries.

What is notable about Latin America is the extent of disparity between countries in North, Central, and South America as far as the particular shape and pace these structural reforms assumed. Variation is also evident in terms of their economic size, level of development and more importantly, regarding their national political economies and their insertion in the world economy. Therefore, we believe that in order to provide a detailed account of the political dynamics across trade negotiations, focus should be further limited.

Our analysis thus moves to the Southern Cone where, despite national differences, a regional model of capitalist development has consolidated at the intersection of an emerging regional political economy with distinctive national political economies, being this embedded within and forged by the structures and processes of the global political economy [Phillips 2004b]. The objective of this research is thus to explore the domestic political dynamics generated by the launch of symmetric, asymmetric, and multilateral trade negotiations in the Southern Cone.

Furthermore, and given that globalization and national governance are interdependent and not antinomies, when faced with external pressures, the strategies implemented by state and non-state actors – even though they are path-dependent or path-conditioned – are transformed to participate in the global scenario [Weiss 1997; 1999]. Building on this assumption, our analysis is intended to shed some light on the extent to which public-private articulations relate to already institutionalized and established patterns or, on the contrary, imply new institutional arrangements to effectively cope with the challenges trade negotiations bring about, giving thus way to similar public-private articulations across countries. The underlying question is to what extent differences across national varieties of capitalism persist [Hall & Soskice 2001b].

Outline of the dissertation

In order to fulfil our main research objective, the dissertation proceeds as follows. The first chapter discusses the theoretical relevance of our research question and shows to what extent different disciplines – including economics, political science, and international relations – have given account of the politics of trade or trade politics. However, in a context of increasing globalization and regionalization where the boundaries between the international and the domestic become increasingly blurred and porous, an adequate understanding of domestic trade governance calls for a constructive dialogue between IPE and comparative politics [Phillips 2004a]. The idea is then to look for the intersection of both approaches, and this is where the concept of governance offers an interesting point of departure.

Building on this initial discussion, Chapter 2 anchors the research in the vast and dense literature on trade policy within IPE, and discusses the different sets of interrelated and mutually complementary issues in the domestic and the international levels that scholars have explored as affecting trade policies and outcomes. After presenting these two different sets of elements, the chapter explores the notion of governance, which offers a basis to account for the intersection between economics and politics, the domestic and the regional and international levels. This notion is also pertinent to capture the new political dynamics derived from the internal and external challenges national actors face when dealing with trade negotiations, to finally locate this debate in the context of Latin American academic production.

Even if the literature on governance is vast and heterogeneous, we build on some common elements to define domestic trade governance and develop the analytical framework used for the empirical analysis, which is the focus of the third chapter. The idea of governance is closely related to the process of globalization at the international level, and the path to more complex societies at the domestic level. Both transformations presuppose new challenges for governments, who find it increasingly difficult to deal effectively with these just relying on their own resources, and try to enhance their capacity by fusing their capabilities with those of societal actors. Consequently, state capabilities are defined by the state's ability to relate and interconnect different resources and agents in particular policy areas [Jayasuriya 2004]. However, at the same time, a wide array of actors demands a place

in the decision-making process. Governance is thus understood as a relational concept, involving a two-way dynamic: from the state to society, and from society towards the state.

Our analytical framework looks into this two-way dynamic, that is to say, the articulations promoted by the state towards society, and from society to the state, a phenomenon the literature has analyzed to some extent. However, our analysis is intended to go beyond these previous approaches by including the political opportunity structure as an intervening element that affects the societal demand [Kitschelt 1986; Kriesi *et al.* 1992].

The research approach is presented in Chapter 4. The study was conducted using qualitative methodology to provide a more detailed description and explanation of the process of interest articulation and the interactions established at the domestic level after the launch of particular trade negotiations, which forms the basis of our structured and focused comparison [George & Bennett 2005]. The chapter also looks into the data collection process and discusses how the collected data was expected to reveal knowledge about our research topic. Finally, it presents the operationalization of our independent variables, through the selection of a particular set of trade negotiations, on the one hand, and two particular Southern Cone countries, who have assumed symmetrical and asymmetrical trade agreements while also participating at the WTO.

Chapter 5 presents the context of our empirical investigation, and offers a mapping of the historical, political, and institutional dimension of state-society interactions in Argentina and Chile, while our empirical findings constitute the core of the next two chapters. Drawing most heavily on the data and information collected through the interviews and the primary and secondary sources, these chapters provide a dense and analytical narrative of the different ways in which actors define their interests and strategies, and the resulting public-private articulation patterns in particular political and institutional contexts. The analysis illustrates how these have operated across various trade negotiations in Argentina and Chile.

In order to move beyond the lessons of the individual cases, Chapter 8 proceeds with the comparative analysis across trade negotiations and across countries. This analysis is done by controlling the national variable and according to the more general hypothesis guiding this research: different trade negotiations – regional (symmetrical and asymmetrical) and multilateral – promote diverse patterns of interest definition and articulation across state and non-state actors at the domestic level. In addition, we assess the value of the particular

elements that account for these variations in the public-private articulations. While comparison across countries acknowledges the weight of political legacy and path conditioning, variance in trade negotiations contextualizes these interactions and articulations to account for their orientation and reorientation in terms of the different trade agendas at play.

Finally, the concluding chapter lays out a synthesis of our main argument and presents an assessment of the process of interest formation and articulation promoted by the three different types of trade negotiations. After examining and characterizing the particular mechanisms underlying these various trade negotiations, our findings suggest that variation in the scope of the agenda and the distribution of costs and benefits attached to these negotiations have important consequences for the ways in which domestic state and non-state actors define their interests and collective action strategies. Consequently, when considered separately and comparatively, symmetric, asymmetric, and multilateral trade negotiations elicit diverse policy dynamics.

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List of abbreviations

AAPIC	Argentine Association of Production, Industry, and Commerce (Asociación Argentina de la Producción, la Industria y el Comercio)
ABAC	APEC Business Advisory Council
ABF	Americas Business Forum
ABIF	Association of Banks and Financial Institutions (Asociación de Bancos e Instituciones Financieras de Chile).
ACIEL	Coordinating Association for Free Businessmen's Institutions (Acción Coordinadora de las Instituciones Empresariales Libres)
ACJR	Chilean Alliance for Fair, Ethic and Responsible Trade (Alianza Chilena por un Comercio Justo, Ético y Responsable)
AD	Democratic Alliance (Alianza Democrática)
ADEBA	Association of Argentine Banks (Asociación de Bancos Argentinos)
ADIMRA	Argentine Association of Metallurgical Industry (Asociación de Industriales Metalúrgicos de la República Argentina)
AEA	Argentine Business Association (Asociación Empresaria Argentina)
AFL-CIO	American Federation of Labor-Congress of Industrial Organizations
AmCham	American Chamber of Commerce
AMN	MERCOSUR Association of Normalization (Asociación Mercosur de Normalización)
APA	Association of Poultry Producers of Chile (Asociación de Productores Avícolas de Chile)
APEC	Asia Pacific Economic Cooperation
APEGE	Permanent Assembly of Business Associations (Asamblea Permanente de Entidades Gremiales Empresarias)
APLA	Latin American Petrochemical and Chemical Association (Asociación Petroquímica y Química Latinoamericana)
APYME	Assembly of Small and Medium Entrepreneurs (Asamblea de Pequeños y Medianos Empresarios)
ASEXMA	Association of Manufacture and Services Exporters (Asociación de Exportadores de Manufactures y Servicios)
ASOEX	Association of Chilean Exporters (Asociación de Exportadores de Chile)
CAC	Chamber of Commerce (Cámara Argentina de Comercio)
CAA	Argentine Sugar Center (Centro Azucarero Argentino)
CACE	Advisory Council on Foreign Trade (Consejo Asesor de Comercio Exterior)
CAEMe	Argentine Chamber for Medical Specialities (Cámara Argentina de Especialidades Medicinales)
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement FTA

CAMARCO	Argentine Chamber of Construction (Cámara Argentina de la Construcción)
CAME	Coordinator of Business and Merchant Activities (Coordinadora de Actividades Empresariales y Mercantiles)
CAP	Common Agricultural Policy
CAPIC	Argentine Confederation of Production, Industry, and Commerce (Confederación Argentina de la Producción, la Industria y el Comercio)
CARBAP	Confederation of Rural Associations of Buenos Aires and La Pampa (Confederación de Asociaciones Rurales de Buenos Aires y La Pampa)
CARICOM	Caribbean Community and Common Market
CARIFTA	Caribbean Free Trade Association
CChC	Chilean Construction Chamber (Cámara Chilena de la Construcción)
CCJ	Central American Court of Justice (Corte de Justicia Centroamericana)
CCS	Santiago Chamber of Commerce (Cámara de Comercio de Santiago)
CCSC	Civil Society Consultative Council (Consejo Consultivo de la Sociedad Civil)
CCSCS	Southern Cone Coordinator of Central Trade Unions (Coordinadora de Centrales Sindicales del Cono Sur)
CEA	Argentine Economic Confederation (Confederación Económica Argentina)
CEA	Argentine Entrepreneurial Council (Consejo Empresario Argentino)
CEC	Chamber of Grains Exporters (Centro de Exportadores de Cereales)
CEDHA	Center for Human Rights and Environment (Centro de Derechos Humanos y Ambiente)
CEI	International Economy Centre (Centro de Economía Internacional)
CEP	Centre for Production Studies (Centro de Estudios de la Producción)
CERA	Argentine Chamber of Exporters (Cámara de Exportadores de la República Argentina)
CES	Coalition of Service Exporters (Coalición de Exportadores de Servicios)
CES	Social and Economic Conference (Conferencia Económica y Social).
CES	Social and Economic Council (Consejo Económico y Social)
CESEC	Centre for Social and Economic Studies (Centro de Estudios Socioeconómicos)
CET	Common External Tariff
CGE	General Economic Confederation (Confederación General Económica)
CGT	General Confederation of Labour (Confederación General del Trabajo)
CIARA	Argentine Oil Industry Chamber (Cámara de la Industria Aceitera de la República Argentina)
CICI	Inter-Ministerial Commission of International Trade (Comisión Interministerial de Comercio Internacional)
CICYP	Interamerican Council for Trade and Production (Consejo

	Interamericano de Comercio y Producción)
CIEPLAN	Corporation of Studies for Latin America (Corporación de Estudios para Latinoamérica)
CILFA	Industrial Chamber of Argentine Pharmaceutical Laboratories (Cámara Industrial de Laboratorios Farmacéuticos Argentinos)
CIM	MERCOSUR Industrial Council (Consejo Industrial del MERCOSUR)
CINA	Argentine Industrial Confederation (Confederación Industrial Argentina)
CIOSL	International Confederation of Free Trade Unions (Confederación Internacional de Organizaciones Sindicales Libres)
CIPA	Chamber of Industrial Food Products Manufacturers (Cámara de Industriales de Productos Alimenticios)
CIQyP	Chamber of the Chemical and Petrochemical Industries (Cámara de la Industria Química y Petroquímica)
CIS	Center of Iron and Steel Industrialists (Centro de Industriales Siderúrgicos)
CMN	MERCOSUR Committee of Normalization (Comité MERCOSUR de Normalización)
CNC	National Chamber of Commerce (Cámara Nacional de Comercio) <i>Later on, National Chamber of Commerce, Services, and Tourism of Chile (Cámara Nacional de Comercio, Servicios y Turismo de Chile)</i>
CNCE	National Commission of Foreign Trade (Comisión Nacional de Comercio Exterior)
CNCI	National Council on International Trade (Consejo Nacional de Comercio Internacional)
CNE	National Corporation for Exporters (Corporación Nacional de Exportadores)
CONINAGRO	Agricultural Inter-Cooperative Confederation (Confederación Intercooperativa Agropecuaria Cooperativa Limitada)
CNS	National Union Coordinator (Coordinadora Nacional Sindical)
CONUPIA	National Confederation for Medium Sized, Small and Micro Industry, Service and Craftsmen of Chile (Confederación Gremial Nacional Unida de la Mediana, Pequeña, Microindustria, Servicios y Artesanado de Chile)
COPAL	Coordinator for Food and Beverage Industries (Coordinadora de las Industrias de Productos Alimenticios)
CORFO	Chilean Economic Development Agency (Corporación de Fomento de la Producción)
CPC	Confederation for Production and Commerce (Confederación de la Producción y del Comercio).
CPPDE	Public-Private Council for Export Development (Consejo Público-Privado para el Desarrollo Exportador)
CRA	Argentine Rural Confederations (Confederaciones Rurales Argentinas)

CSO	Civil Society Organization
CTA	Central of Argentine Workers (Central de Trabajadores de la Argentina)
CUT	Unified Workers' Central (Central Única dos Trabalhadores, Brazil)
CUT	Unitary Central of Workers (Central Unitaria de Trabajadores, Chile)
DIRECON	General Directorate for International Economic Relations (Dirección General de Relaciones Económicas Internacionales).
ECA	Economic Complementation Agreement (Acuerdo de Complementación Económica)
ECLA	Economic Commission for Latin America
ECLAC	Economic Commission for Latin America and the Caribbean
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Association
ETUC	European Trade Union Confederation
EU	European Union
FAA	Argentine Agrarian Federation (Federación Agraria Argentina)
FCES	Economic and Social Consultative Forum (Foro Consultivo Económico y Social)
Fedefruta	Fruit Growers Federation of Chile (Federación de Productores de Frutas de Chile)
FDI	Foreign Direct Investment
FOCEM	MERCOSUR Fund for Structural Convergence (Fondo para la Convergencia Estructural del MERCOSUR)
FOCO	Citizens' Justice and Human Rights Forum (Foro Ciudadano de Participación por la Justicia y los Derechos Humanos)
FTA	Free Trade Agreements
FTAA	Free Trade Area of the Americas (FTAA)
FTC	Copper Workers Federation (Federación de Trabajadores del Cobre)
FUT	Unitary Workers Front (Frente Unitario de Trabajadores)
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
IADB	Inter-American Development Bank
HSA	Hemispheric Social Alliance
IAPI	Argentine Institute for Trade Promotion (Instituto Argentino para la Promoción del Intercambio)
IMF	International Monetary Fund
INAI	International Negotiations on Agriculture Institute (Instituto para las Negociaciones Agrícolas Internacionales)
INTAGRO	Institute of Agrarian Studies (Instituto de Estudios Agrarios)

INTECH	Textile Institute of Chile (Instituto Textil de Chile)
IPE	International Political Economy
IPRs	Intellectual Property Rights
IRAM	Argentine Institute of Standardization and Certification (Instituto Argentino de Normalización y Certificación)
ISEN	National Foreign Service Institute (Instituto del Servicio Exterior de la Nación)
ISI	Import Substitution Industrialization
ITUC	International Trade Union Confederation
LAFTA	Latin America Free Trade Association (Asociación Latinoamericana de Libre Comercio)
LAIA	Latin America Integration Association (Asociación Latinoamericana de Integración)
MEBF	MERCOSUR-EU Business Forum
MERCOSUR	Common Market of the South (Mercado Común del Sur)
MIDEPLAN	Ministry of Planning and Cooperation (Ministerio de Planificación y Cooperación)
NAFTA	North-American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NGO	Non-Governmental Organization
NIEO	New International Economic Order
NTB	Non-Trade Barrier
OAS	Organization of American States
ODECU	Organization of Consumers and Users of Chile (Organización de Consumidores y Usuarios de Chile)
ODEPA	Agrarian Research and Policy Office (Oficina de Estudios y Políticas Agrarias)
ODEPLAN	Office of National Planning (Oficina de Planificación Nacional)
OECD	Organization for Economic Cooperation and Development
ORIT	Inter-American Regional Workers' Organization (Organización Regional Interamericana de Trabajadores)
PARLACEN	Central American Parliament (Parlamento Centroamericano)
PICE	Programme of Trade and Economic Integration (Programa de Integración Comercial y Económica)
PIT-CNT	Inter-union Plenary of Workers-National Convention of Workers (Plenario Intersindical de Trabajadores-Confederación Nacional de Trabajadores)
ProChile	Direction for the Promotion of Exports (Dirección de Promoción de Exportaciones)
PTA	Preferential Trade Agreement
REIH	Business Network for Hemispheric Integration (Red Empresarial para la

	Integración Hemisférica)
SACU	Southern Africa Customs Union
SE-CCAD	Executive Secretariat of the Central American Commission for Environment and Development General Directorate for Environment (Secretaría Ejecutiva de la Comisión Centroamericana de Ambiente y Desarrollo).
SECOFI	Secretariat of Commerce and Industrial Promotion (Secretaría de Comercio y Fomento Industrial, México)
SEGPRES	Ministry General Secretariat of the Presidency (Ministerio Secretaría General de la Presidencia)
SERPAP	Peace and Justice Service of Argentina (Servicio Paz y Justicia de Argentina)
SICA	Central American Integration System (Sistema de la Integración Centroamericana)
SICE	Organization of American States' Foreign Trade Information System
SNA	National Agriculture Society (Sociedad Nacional de Agricultura)
SOFOFA	Society for Promoting Manufacturing (Sociedad de Fomento Fabril)
SONAMI	National Mining Society (Sociedad Nacional de Minería)
SONAPESCA	National Fishing Society (Sociedad Nacional de Pesca)
SRA	Argentine Rural Society (Sociedad Rural Argentina)
TPA	Trade Promotion Authority
TRIMs	Trade-Related Investment Measures
TRIPs	Agreement on the Trade Related Aspects of Intellectual Property Rights'
UDECA	Union of Argentine Commercial Entities (Unión de Entidades Comerciales Argentinas)
UIA	Argentine Industrial Union (Unión Industrial Argentina)
UNDP	United Nations Development Programme
UNT	National Union of Workers (Unión Nacional de Trabajadores)
UP	Popular Unity (Unidad Popular)
UR	Uruguay Round
USTR	United States Trade Representative
WB	World Bank
WTO	World Trade Organization

CHAPTER 1

TRADE POLITICS

Trade has been a central issue in national, regional, and international politics throughout the history of the contemporary international system. Already in the late 19th and early 20th centuries, international trade and investment were relatively free, under the command of the British, French, and Germans. Interrupted by the First World War and the Great Depression, the post-Second World War would see the emergence of multilateralism and the liberalization of world trade with the signing of the General Agreement on Tariffs and Trade (GATT), which would be replaced, deepened, and expanded, with the creation of the WTO in 1995. At the same time, regional initiatives of various characteristics have emerged, re-emerged, and consolidated. A question has traditionally occupied scholars: What are the determinants of trade policy? What factors account for trade liberalization or, on the contrary, for protectionism?

These questions are central and bring us back to the nature of the relationship between economic processes and decisions, and political authority. In other words, how public and private interact, and how politics and markets interrelate. There is however significant debate concerning this relationship. In addition, examining the relationship between the political and economic domains with respect to the international system is a complex undertaking. When analyzing how domestic and international politics relate to each other, we are faced with the problem of levels of analysis and this involves not only substantial debate but also empirical research [Underhill 1994].

Thus, from a theoretical and academic perspective, when analyzing the determinants of trade policy, but also its institutional and political consequences, the central problem has lied in disentangling the relation between international trade and the domestic political dynamics generated around these negotiation agendas. This implies not only the interaction between the economic and political domains – namely, between politics and markets – but also between domestic and international levels of analysis.

During the last 25 years, this interaction and interrelationship across levels and domains has become one of the most compelling issues in domestic and international politics. As economies opened up to trade flows and new agendas and actors started to play or

demanded an increasing role in trade politics, trade turned into a critical and increasingly contentious issue.

This “*rush to free trade*” [Rodrik 1994] has been accompanied by the deepening of the trade agenda. As this new trade agenda has a greater impact on domestic politics, the sites of political contestation have notably increased, going well beyond the traditional divide between free traders and protectionists. These more traditional demands, typically associated with business actors, are now interwoven with new issues supported by the so-called “new” actors, whose interests impinge on the trade politics agenda.

In sum, as the trade agenda expanded, it has activated the demands and requirements from larger and more heterogeneous groups at the domestic level, but in the international arena as well, as evidenced by the public demonstrations and protests organized around the WTO and other meetings of international financial institutions since the mid-1990s. Hence, since then old and new modes of trade politics have interacted reflecting an evolving trade agenda and changing configurations of political forces [Hocking & McGuire 2004a]. How can we analyze the increasing plurality of interests and preferences that this new trade agenda generates? How do actors and interests interrelate when particular trade negotiations are launched in a context where the boundaries between the domestic and the international become increasingly blurred? Moreover, in which ways does this increasing number of stakeholders have an impact on the political economy of international trade?

The scholarly literature on trade politics is vast. Different approaches have been developed to explain the variation in the “*the politics of trade*” or “*trade politics*”, that is to say, the relation between international trade and the domestic political dynamics generated around these negotiation agendas.

1.1. Different approaches to trade politics

Different disciplines have given account of the dynamics surrounding trade politics, and what policy is or should be when it comes to trade and a country’s insertion in the world economy.

Initial contributions from economists dating back to the 19th century had been further elaborated to account for the political economy of trade. Political scientists, on the other hand, have also delved into the determinants of trade policies. Both disciplines have

certainly contributed to our understanding of the political economy of trade. However, and given that they have relied on quite different assumptions regarding trade liberalization and protectionism, their analytical focus and their contributions have varied accordingly.

In the next sections, we explore the contributions of each of these disciplines to see if they can provide with some answers to the most significant transformations in the political economy of contemporary trade negotiations.

a) The economic side of trade politics

Since Adam Smith's pioneering inquiry into the nature and causes of the wealth of nations in the 18th century, the economic literature attempting to explain international trade has witnessed significant advances, and increasingly sophisticated and complex models have been developed to provide an understanding of the underlying mechanisms and processes in regional and international trade². Economists have focused on explanations of trade flows across countries, the nature, and extent of gains or losses to an economy, and the effects and impact of trade on the economy.

From an economics perspective, in the early 20th century, Heckscher and Olin elaborated on a model to explain different nation's involvement in international trade, which revolutionized economic thinking and served to capture a complex reality [Frieden 2006:77-79]. The basic idea underlying their trade theory was that a country would export goods that made intensive use of the resources it had in abundance. Thus, countries rich in capital would export capital-intensive goods – namely, manufactures – while those with abundant labour, would export labour-intensive goods or products – namely, agricultural products. Specialization will hence lead to analogous trade patterns. By focusing on the relationships between the composition of countries' factor endowments and commodity trade patterns, Heckscher and Olin laid the groundwork for substantial developments in the theory of international trade. Twenty years later, Stolper and Samuelson elaborated on this theory to explain the distributional consequences of trade. Their main finding was that while the national owners of an abundant factor of production tend to be better off because of international trade, those, who, on the contrary rely only on a scarce factor, are

² Rodrik [1995] provides an interesting depiction of the leading approaches to formalizing the political economy of trade policy.

worse off. Thus, even if they still see trade as the best possible policy, orthodox economists acknowledge that there are always winners and losers from free trade [Frieden 2006:109-111]³.

Based on the assumption that free trade is the best policy for most countries and given that in practice international trade is rarely free, a large literature has developed on the political economy of trade policy [Rodrik 1995]. Economists have puzzled over why countries regularly make use of at least some protectionist policies, and in doing so, their focus has been on actor behaviour, mainly on the preferences of domestic actors for protection. Thus, leading approaches have emphasized the role of policymakers over the distributional outcomes of trade, on the one hand, and the actions taken by individuals and interest groups to shape the policymaker's preferences, on the other. Two strands of literature have consequently emerged. While a large empirical literature has examined differences across sectors in the level of import protection provided or the extent of trade liberalization promoted by governments, more recent studies have developed models of such protection based on the strategic interactions between firms in an actual or potential context of international monopolistic competition [Cohen 1990; Rodrik 1995].

Economists have always been aware that the determinants of trade policy are deeply political, and their models attest this. However, so far, the literature has handled these issues only imperfectly as most of scholars have to some extent overlooked how preferences and interests are aggregated and channelled within a particular institutional setting. Therefore, there are still areas where more progress is needed. This includes questions regarding the apparent political advantage of trade policy in redistributing income over more direct policy instruments, the rather universal preference for trade-restricting policies over those aimed at promoting it, and the lack of integration between time and the theoretical and empirical contributions dealing with the determinants of protection levels across countries and industries [Rodrik 1995].

³ These models built on classical economic theorists. In 1776, in *The Wealth of Nations*, Adam Smith [1776] had already argued against self-sufficiency, emphasized that specialization increased productivity and that, in turn, this fed economic growth. However, specialization required access to large markets, being the final claim the need for a global division of labour, which would raise productivity both at the national and international levels. In this line, in 1817 in his book titled, *On the Principles of Political Economy and Taxation*, David Ricardo [1817] formalized the notion of competitive advantage to apply this specialization principle to countries. This notion had clear implications in terms of free trade: as long as a country would always gain from building on its comparative advantage and barriers to trade would impede its ability to do so, trade protection could only be detrimental to the national economy.

b) The political side of trade politics

While economists have focused on the composition and direction of trade flows and the welfare effects of trade, political scientists have concentrated on the explanation of protectionist and free trade policies. In fact, protectionism has captured the attention of both economists and political scientists though from quite different perspectives given their diverging assumptions regarding free trade.

Economists have tended to ask why countries protect certain industries when free trade would be better in economic terms. Based on the assumption that free trade is the best policy for most countries, economists have found the subject of international trade rather frustrating as governments pursue protectionist policies [Cohen 1990]. On the contrary, and based on the presumption that protectionism is politically reasonable, political scientists have strived to explain why a country would adopt free trade policies and policy changes over time.

Moreover, and contrary to economists who based on the idea that the sole interest of state is to maximize their economic welfare have disregarded all non-economic motivations as irrational, political scientists have found it less difficult to account for these apparently illogical behaviour and outcomes. When analyzing the political economy of trade, they understand the mercantilist element of trade as a central and endogenous factor to be explained [Cohen 1990]. Building on this, scholars trained in political science have opened up the analysis of state motivations to include power and political matters in order to explore international trade policy. Therefore, they tend to pose more diverse and encompassing research questions, which go beyond actor behaviour and the preferences of domestic groups for protection or free trade. From a domestic perspective, their research agenda includes the impact of political institutions in aggregating preferences and implementing policy, among other variables.

Even if political scientists have brought to light elements and factors that economists have not fully developed, their central analytical orientation has revolved around the state and historical institutions, being their frame of reference the national level. Consequently, when analyzing political economy, comparative political scientists have analysed it as happening at the national level. This *“tenacious nation-state centrism”* [Robinson 2001:556] has somehow prevented them from fully acknowledging the impact or interactions with regional and international factors.

Economists and comparative political scientists working in the field of the political economy of trade have thus deployed particular approaches and methodologies to analyse the determinants and impacts of trade policy decisions. By focusing on different explaining variables, they have broadened our understating of trade politics. Still, in both approaches, the regional or international level has remained relatively sealed off.

This tendency would be reverted by the late 1960s and early 1970s. As the global system became more integrated and interdependence became a characteristic of relations among states, scholars working on comparative politics or political economy in political science and economics, and others hailed from international relations, recognized that national systems could no longer be considered separately. This would give way to the emergence of IPE as a particular field of enquiry. Since then, it has strived to broaden and deepen our understanding of the politics of international economic relations by delving into the complex relations across domains and across levels.

1.2. The emergence of IPE

IPE as originally conceived was intended to overcome two shortcomings. In the first place, it emphasized the need to bring in the regional and international dimension of trade politics. Second, this new field was aimed at overcoming the existing “*academic astigmatism*” [Strange 1971:3] by bringing together scholars from a wide variety of backgrounds, including political science and international relations, but also classical political economy – dating back to David Ricardo and Adam Smith – and economics, among others⁴. This multidisciplinary origin turned out to be a crucial asset in the development of IPE, though to some extent it also posited particular challenges and drawbacks for those working in the discipline⁵.

The works of different scholars are taken as the founding blocks of the discipline that attempted to bridge the divide between international economics and world politics. While

⁴ Underhill [2000] argues this differentiation in social sciences was the result of a rapid process of specialization that took place during the post-war period. In the pursuit of better expertise, the interrelatedness among disciplines was lost and this had an important opportunity cost for our understanding of the world. In this same line, Spero [1977] has argued that the professional imperatives of modern academia tended to prioritize specialization over cross-disciplinary adventurism.

⁵ For a discussion regarding the benefits and problems posit by such a heterogeneous heritage, see Phillips [2005] and Underhill [2000].

Strange [1970] clearly rejected “*the comfort of separatist specialization*” and called for a synthesis of insights from international relations and international economics⁶, Spero [1977] attributed this divide both to the heritage of liberalism and its emphasis on the duality of the economic and political orders, on the one hand, and to the imperative of professional specialization, on the other. Other seminal works included, from the economics side, the study by Cooper [1968] that brought to light the phenomenon of interdependence, which would be instrumental in inspiring later work on the same theme in international relations, and various contributions from a more interdisciplinary perspective. Informed by the economic and political turmoil of the 1970s, these various studies emphasised that an adequate account of economic processes required delving into the political dimension both within and among states. Already in those days, explaining trade and monetary politics constituted a central part of the field of IPE as shown by different research projects, including Hirschman [1969], Kindleberger [1970; 1975], Gilpin [1975], Cohen [1977], Katzenstein [1978], and Gourevitch [1978], among others.

Consequently, IPE turned out to be appealing for those in the field of international relations who dissented with traditional, state- and security-centric international relations, while in the case of political science, the new discipline called the attention of scholars who recognized that national systems could no longer be considered on their own as the world became increasingly integrated and interdependent. The research agenda of this new field focused on the explanation and analysis of the economic foreign behaviour of governments and the motivations underlying their international economic relations. In turn, this agenda involved both methodological and conceptual aspects that were closely interrelated.

On the one hand, when studying state behaviour, scholars can assume either a domestic or a system-level perspective. By keeping a focus on the international arena, the state can be treated as a rational and unitary actor whose behaviour is largely explained by the constraints and incentives governments face within the interstate scenario. On the contrary, analyses can also delve into the internal characteristics of states, namely, the political and institutional bases that frame the strategic interactions among domestic actors.

⁶ This article, in which Strange argued in favour of a “*theory of international economic relations*” [1970:310], is widely credited not only for setting out the founding agenda of IPE, but also for marking “*the revival of the idea of political economy*” [Cox 2004:307]. However, and even if Strange demanded superseding the increasing divide and specialization in social sciences, her objective was also to root the study of IPE within the discipline of international relations. In fact, the article is mainly addressed to international relations scholars, who she portrayed as the main responsible for the increasing gap between international politics and international relations.

On the other hand, this methodological and level-of-analysis issue is closely related to the definition of state interests. Do they result from domestic political pressures, or are they just given by the external environment? While in the latter case, state preferences and interests are taken as constant, when focusing on the interactions between domestic actors within the domestic scenario, and not just on their external environment, state preferences appear to be variable.

The particular methodologies used to provide answers to these questions have varied across IPE scholars according to their particular disciplinary training and the specific issue-area under study [Cohen 1990]. When it comes to the political economy of trade, while economists have focused on actor behaviour, political scientists and sociologists working in the discipline of IPE have proposed more diverse questions regarding not only state behaviour but also the interrelation between state and non-state actors, and across levels of analysis. Within such contributions, two notions underlay the origins of what would then crystallize IPE as a field of social enquiry and which have constituted its analytical focus since then. In the first place, as the boundaries between the domestic and the international became increasingly blurred, the notion that domestic politics is important in the study of international relations gained prominence. Second, these studies led to the premise that when analyzing international economics and relations it was crucial to capture both the economic and the political dimension of these processes.

In sum, despite the large variation and heterogeneity IPE experienced in its genesis, three fundamental premises have served as the basis for the development of the discipline. These include the inseparability of economics and politics, the idea that political interaction is one of the principal means through which the economic structures of the market are established and transformed; and the intimate connection between the domestic and international levels of analysis which cannot be meaningfully separated off from one another [Underhill 2000a; b].

Moreover, and from a methodological point of view, IPE has precisely dealt with the relationship between these different elements: between domestic and international levels of analysis; between the economic and political domains across territorial boundaries, and between institutional settings and economic structures, and the politics that takes place within them [Underhill 1994].

a) The state-market *condominium*

The core conceptual issue in the discipline remains the nature of the relationship between the state and the market. These are interdependent and cannot be understood in analytical isolation, though the relationship is usually characterized as one of antagonism given that the political logic guiding states and the economic logic typical of markets pull in opposite directions. The logical starting point for explaining this is the domestic arena. Trade policies – just as decisions in other policy field – are the result of political interactions. It is through politics that economic processes and decisions are established and transformed [Underhill 1994]. They are the result of competing socio-political interests and actors in particular institutional settings. Thus, the focus of trade politics is who gets what, when and how within a particular socio-political context.

However, this complex and conflictive state-market dyad has been characterized differently within particular approaches.

Based on the assumption that states and markets provide antagonistic organizing principles, liberals have traditionally advocated the market as the organizing principle for the development of the world political economy given the disabilities of politics. As already shown by Adam Smith, to the hierarchy, power, and coercion of states, liberals promote market decentralization, spontaneous interaction, and freedom. From quite an opposite perspective, the realist tradition has considered the economic and political domains as separate spheres, being the former dominated by politics. In other words, while liberals tend to view transnational integration dominated by market processes as an ideal state of affairs, realists argue that politics will dominate economic processes, especially in the international scenario. Today, this controversial assumptions form the basis of the debate between political realism and the so-called “globalizers” of liberal-idealist heritage.

Finally, radicals take the economic and political domains as parts of an integrated entity. However, they tend to privilege economic structural factors over political agency: it is the laws and rules guiding the transformation of the economic system what determines the development and transformation of political institutions and policies.

Coming from Marxism, though having a shifting relationship to certain of its formulations, Polanyi [1957, 2001] glimpsed the idea of the embedded market economy: he understood the market as part of the broader economy, which was “embedded” in a still wider society.

The economy, he argued, was not autonomous but rather subordinated to politics and social relations instead. Moreover, the state structured and enforced the market. Thus, Polanyi seems to have superseded this sort of tug-of-war between the state and the market forces⁷. More recently, Underhill has claimed that political economy goes beyond the simple sum of the state and the market, and called for an adequate conceptualization to capture the interaction of political authority and the market, just as Strange had insisted. He conceptualized the dynamics of state and market as interdependent and intertwined. As part of the same system of governance, these constitute a “state-market condominium” operating “*simultaneously through the competitive pressures of the market and the political processes which shape the boundaries and structures within which the competition (or lack thereof) takes place*” [2000: 808]. In sum, these two domains – the political and the economic – cannot be separated in the contemporary international scenario, which in turn leads to a closely connected issue, that of the relation between the domestic and international arenas.

b) The dialectic of domestic and international

In terms of the domestic and international level of analysis, the contemporary study of IPE has advanced through the splintering, fragmentation, and crystallization of specialized fields of research dealing each with a particular level of analysis.

Over the years, as the classical political economy tradition was left behind, and the international realist tradition gained weight, IPE evolved as field of enquiry focused on the international level of political economy, taken as a separate and distinct sphere from the domestic and national political economy. The discipline was also nurtured by a more radical tradition led by dependency theorists and their systemic approach to the analysis of development and inequality [Cardoso & Faletto 1969; Amin 1977, among others] and scholars as Cox whose innovative approach brought together international relations and international political economy and the domestic level [1981; 1987; 1996].

Despite these more radical approaches, IPE still remained dominated by a form of realism “*that defined all aspects of international relations, and its own subsidiary concepts, in terms of power and security, where power was primarily military power and security was essentially territorial integrity*”

⁷ Block [2001; 2003] offers an interesting and appealing discussion of Polanyi’s contributions to social sciences, and more specifically to IPE as his book, *The Great Transformation*, has become an indispensable reference for scholars involved not only in IPE but also in economic sociology.

[Murphy & Tooze 1991a:2]. Conventional international relations have rested upon the conceptual separation of both politics and economics, and the international and the domestic⁸. This would have a direct impact on IPE, which has evolved through the increasing distancing from other approaches to the study of political economy⁹.

Several initiatives were intended to overcome this bias towards the international level already in the early 1990s. Among these, Murphy and Tooze [1991b] would advance the call for a new “heterodox” or “counter-hegemonic” IPE. Under the claim that IPE should go beyond international relations to apprehend a broader and more inclusive research agenda, these scholars defined and claimed the inseparability between politics and economics, between state and markets, and between public and private. Contrary to the liberal tradition posit, they advocated “*a purer and more integrated political economy, which denied the possibility of the theoretical and methodological separation of the political and the economic*” [Phillips 2005:10]. In other words, this “new political economy” tradition was aimed at developing an analytical framework that will not only give equal weight to structure and agency but also attempt to understand the relationship between both elements [Gamble 1995; Gamble *et al.* 1996].

Still, separation would persist and IPE would thus advance through a more structuralist and systemic approach to the study of the international, while comparative political economy assumed a national, institutional and comparative perspective by revolving around “*the conceptual frameworks used to understand institutional variation across nations*” [Hall & Soskice 2001a:1]. Consequently, both disciplines evolved along a clear line demarcating the study of political economy. This differentiation according to levels of analysis has given rise to a great divide between the state-centrism of the comparative tradition, and the systemic,

⁸ These tendencies reflect the historical evolution of international relations, which since Waltz [1979] has been marked by a bifurcation and separation of the study of domestic politics and the study of international politics given “*the autonomous – hence non-reducible – character of systemic international relations theory*” [Caporaso 1997:564].

⁹ In addition, two different schools have been identified within IPE itself. On the one hand, the mainstream tradition established in the United States has remained concerned primarily about how to insert an account of the economic dimension into international relations, while the question regarding the relationship between states and markets has been left rather neglected. On the contrary, the British school of IPE, based on the more radical political economy traditions already described, has proclaimed the inseparability of politics and economics, and promoted the integration of economics and politics, and structure and agency as well. In other words, both schools have taken a different theoretical and methodological basis for the study of IPE. For an interesting account of the point of convergence and divergence between these different schools, see Murphy & Nelson [2001] and Phillips [2005]. More recently, two well-known journals in this area – *Review of International Political Economy* and *New Political Economy* – devoted a special issue to this debate.

structuralist bias of IPE. Moreover, it calls for the need to bridge this gap and to promote cross-level connections between domestic and international politics in order to abandon this compartmentalized approach to political economy [Caporaso 1997].

This need to bring together both perspectives seems more pressing when studying contemporary trade politics given the expansion and deepening of the trade agenda and the growing importance of regulatory issues within this new trade agenda, as we will explain below.

1.3. The politics of trade in an era of increasing regulation

The world is going through an increasing process of globalization and transnationalization. However, this does not preclude the disappearance of rules. Rather, globalization and transnationalization have gone hand in hand with the widening and deepening of rules and regulations to the extent that we live in “*the golden era of regulation*” [Levi-Faur & Jordana 2005:6]. Since the 1980s, a new order of regulatory capitalism has been in the making as shown by the intense diffusion of regulatory activities, the creation of new regulatory institutions, technologies, and instruments, together with the increasing scope and breadth of regulatory reforms¹⁰.

In the interests of economic competitiveness and growth, states have surrendered particular areas of their regulatory authority to transnational organizations and regimes [Lipschutz & Fogel 2002]. For much of the post-World War II period, international regulation emerged from intergovernmental negotiations leading to the creation of international regimes, such as the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD), and their incorporation to regional groupings. Here, the European Union (EU) turns out to be a paradigmatic case: as the single market developed, a distinctive European model of regulation evolved, combining national and supranational rule. In turn, these integration and regulatory strategies led to the growth of the regulatory state [Majone 1994; 1997].

¹⁰ Building on Baldwin *et al.* [1998], in this study we view regulation as “*mechanisms of social control*”. These include constellations of both state and non-state actors – business and civil society representatives – together with formal and informal rules. Thus, we assume that regulation proceeds not only by means of legal sanctions and coercive powers but also through more soft mechanisms, as in the case of social norms and the adoption of standards and voluntary schemes by corporations that attempt to penetrate more regulated markets. Moreover, regulation structures, guides and controls activities and interactions beyond, across and within national borders.

a) The rise of transnational regulation

Transnational regulation is not new but has changed and expanded through the establishment of new regulatory forms. Three elements seem to confirm the profound transformation in regulatory patterns.

In the first place, and in terms of the actors, even if states have a key and central role in regulatory processes, the regulatory structure is not only result of the interaction between governments but also between governments and a multiplicity of non-state actors – including business and civil society representatives. Thus, the public-private distinction is blurred while the limits and distribution of responsibilities between both spheres are largely in flux [Djelic & Sahlin-Andersson 2006]. Regulation entails the fragmentation of power and control: as the state no longer has a monopoly on the exercise of regulatory power and control, these are increasingly fragmented and dispersed between state and non-state actors. This interaction in the regulatory arena has led to the conformation and articulation of networks and alliances of state and non-state actors¹¹.

Second, regulation has broadened and deepened. The increasing complexity of the already regulated areas has ran parallel to the extension of the regulatory pressure to new policy areas – from economic to social spheres [Braithwaite & Drahos 2000; Levi-Faur & Jordana 2005]. Moreover, regulation has broadened to include areas traditionally considered as pertaining to the domestic arena. Regulation proceeds thus through hard laws and directives but also by means of new regulatory modes based on soft law and non-binding rules, on the one hand, and on peer pressure, information and knowledge exchange, and the creation of common discourses [Bull 2007]. This means that regulatory rules are not only formal in nature as they increasingly include other “soft” forms, namely, recommendations, directives, best practices, benchmarks, and standards [Ahrne & Brunsson 2006]. Regarding compliance and promotion mechanisms, these also show a wider variety, ranging from the most traditional sanctioned-based instruments to those pertaining to the social arena – access or integration into a particular group – or the economic domain – certification and access to markets.

¹¹ Initially, the notion of network was intended to account for transnational regulatory networks composed of experts and representatives of national regulatory bodies within the EU [Eberlein & Grande 2005]. In time, the concept has widened to capture the increasing role of public officials [Slaughter 2004], professional and epistemic communities [Stone 2004], transnational advocacy networks [Keck & Sikkink 1998], and global public policy networks [Reinicke 1998].

Finally, an increasing share of this regulatory activity bridges the international and the domestic and simultaneously occurs within, between and across national boundaries. Regulation takes place across different levels: it operates between and across countries so that the domestic can reach the international level and the international domain impact on the domestic arena. However, this impact is not homogeneous across countries and sectors, while there is great variation in terms of the mechanisms through which the global and the regional impact on the domestic arena.

Today there is a surge in the growth of regulation and its diffusion across actors, arenas, and policy domains. Regulation takes place through multiple mechanisms – legal, social, and economic – showing thus that regulation structures, guides, and controls a wide range of activities and processes at the international level. Many channels are available for the promotion of regulatory norms and rules. How do they affect the domestic level? What are the specific mechanisms through which international and regional regulation impact on the domestic arena?

In this study, we examine and analyze these developments, with a particular focus on trade negotiations, both at the multilateral and regional levels.

b) International trade regulation

Trade policy has changed dramatically during the last 25 years. The conclusion of the UR led to the creation of the WTO in 1995 and signalled the evolution of the trade agenda beyond the reduction and elimination of trade tariffs and the exchange of goods as established in the early GATT negotiation rounds, to embrace more complex and technical issues. Multilateral trade rules would now cover not just trade in goods but also services, intellectual property, investment, unfair trade practices, among other economic issues. In addition, the negotiation of NTBs – taken, as those formal rules and/or procedures or informal directives that restrict the access of imported products in domestic markets – would now be a centrepiece of the multilateral trade agenda¹².

Underlying this new agenda lie deeper pressures for convergence in regulatory frameworks, and this regulatory pressure is especially evident in areas traditionally considered as appertaining to the domestic arena and as exclusive competence of national states. As long

¹² For a detailed analysis of the evolution of the trade regime after the creation of the WTO, see Ostry [1997].

as the essence of the negotiation in areas where regulatory issues are salient – as in the case of services and intellectual property rights – is focused on the convergence and harmonization of regulations and rules, this is directly associated to the reform of domestic institutions and regulations [Ostry 1997]. Moreover, even trade in goods involves the negotiation of production and process regulations to the extent that the question is no longer whether to allow trade with a foreign country but how to liberalize trade in a particular sector. Trade liberalization leads not only to deregulation but also to re-regulation at the domestic level [Woll & Artigas 2007].

In sum, the trade agenda has expanded to embrace a range of new issues, which are technically more complex and involve matters traditionally considered as falling within the domestic arena and as sole responsibility of states, promoting thus processes of deep integration. Secondly, the increasing importance of services, property rights, and the protection of foreign investments entails the development and harmonization of regulatory frameworks in new policy areas, which affect the role of the state. Finally, the judicialization or legalization of trade issues through the dispute settlement mechanism of the WTO increases the role of expertise [Shaffer 2006].

Clearly, domestic politics and international trade intersect and interact and even if it could be argued that this interaction between the domestic and international arena is not new and could be traced back to the Tokyo Round of the GATT, the process has gone much further and deeper as negotiations involve a growing regulatory agenda [Hocking & McGuire 2004b].

c) New forms of regional regulation

The multilateralization of trade through the WTO has gone hand in hand with the revitalization of regionalism and the rapid expansion of regional agreements. After a long period of retreat, regionalism has made a comeback and since the 1980s, old regional blocs have been revived and new regional groupings formed.

One of the most striking features of these regional initiatives is the increasing salience of regulation. Together with trade liberalization and market opening, in those areas where regulatory issues are relevant, regional trade negotiations are intended to harmonize or regionalize regulatory standards, as in the case of services and government procurement,

among others. Moreover, even trade in goods involves the application of internationally accepted standards and procedures, mainly in the areas of labour rights and environment protection to allow thus the convergence of production processes and methods [Mattoo & Sauv  2003; Duina 2006; Bull 2007; Woll & Artigas 2007].

This regional-level coordination or harmonization constitutes a mechanism of internal validation and has been a key feature of relevant initiatives in the late 1990s and early 2000s [Phillips 2003]. Even if this nascent progress of policy harmonization has been a feature of both symmetric and asymmetric regional trade negotiations, it has turned out to be more acute in the case of asymmetric or North-South agreements, especially in the bilateral trade agreements signed since the early 2000s [Roffe & Santa Cruz 2006]. Even if the main regulatory authority is still vested in national states, regional trade negotiations have led to emerging forms of regional regulation and governance. Regulation is thus embedded in institutions at various levels [Djelic 2006; Duina 2006].

1.4. Apprehending trade politics today

The 1980s and 1990s witnessed a significant expansion of the forces of globalization, which ran parallel to the deepening of the multilateral system and the emergence of a second wave of regionalism, often referred to as the “new regionalism” or second-generation agreements [Bhagwati 1993; Ethier 1998]. The key feature of the new regionalism is the sheer number of formal regional arrangements. Certainly, the 33 regional trade agreements signed between 1990 and 1994 constitute the largest number for any five-period since the end of Second World War [Mansfield & Milner 1999]. Today, only a few countries are not members of at least one regional organization and most are members of more than one, given way to what has been denominated the “*spaghetti bowl*” [Bhagwati 1993; Bhagwati & Panagariya 1999].

Trade liberalization has thus advanced at different levels and through various mechanisms, including multilateral, regional, bilateral, and plurilateral agreements. Accordingly, regulation proceeds and takes place at different institutional levels [Duina 2006]. Moreover, and as in the case of Latin America, trade negotiations simultaneously advance in different arenas and governments face multiple and simultaneous negotiation scenarios, in constant interaction both at the regional and multilateral level.

There is a strong presumption that international trade – by means of the comparative advantage – generates mutual gains. However, in practice, the distribution of these gains both among and within countries is a matter of serious controversy. Either promoting free trade over protectionist measures or assuming a protectionist stance over trade liberalization is likely to have a differential impact on groups within and across national borders. Thus, today it is acknowledged that trade generates winners and losers and that the shaping of trade policies is one of the most politically contentious exercises.

Nevertheless, the landscape of contemporary trade politics is increasingly complex as the agenda embraces more diverse and multifaceted issues, which, in addition, are technically more sophisticated and include matters traditionally considered as exclusive competence of national states. These developments have created a far more testing environment for state actors in terms of both their capabilities and expertise and their legitimacy. On the one hand, this new trade agenda together with the sophistication of trade policy instruments require a more refined expertise and more specialized information in trade issues, which was less relevant in previous stages [Ostry 1997; 2002; Tussie 2003a; Hocking & McGuire 2004b; Kelly & Grant 2005] and greater coordination between different public agencies as well [Goldstein & Martin 2000; Shaffer 2006]. On the other hand, state actors are now confronted with demands that may collide with or raise high domestic opposition from different groups. In effect, these more intrusive agendas affect the political incentive structure of a wider array of actors, whose interests do not fall within the traditional distinction between free traders and protectionists. In fact, this traditional division is now overlain with new issues sponsored by a wide range of non-state actors, including business and an ever-expanding catalogue of civil society organizations (CSOs) whose interests and concerns impinge on the trade politics agenda, cutting across the interests and objectives of governments and firms. Consequently, contemporary trade politics involve the interactions between a wider diversity of actors – states, business, and civil society – over the old and the new issues on the trade agenda. These interactions evolve within already established patterns and processes of decision-making, while new forms and mechanisms are introduced in the various levels where these interactions take place: national, regional, and multilateral. Therefore, a critical feature of these more demanding and intrusive trade agendas is the relationship between actors and the interests that help to determine them, and the patterns of expectations that condition the relationship between state and non-state actors [Jordana & Ramió 2002].

However, these trade negotiations vary in terms of the type and number of actors, the agendas, and commitments under negotiation and the specific arena or level where they take place. In addition, they entail different pressures for harmonization and convergence in regulatory procedures and standards to the extent that they show a differential impact across policy areas.

The question that comes next is whether these differences in terms of the particular contents and commitments are correlated with the various political dynamics that trade agreements – regional and multilateral – generate at the domestic level. In other words, to what extent do these trade agendas lead to particular patterns of public-private articulations? Even if more recently scholars have strived to account for these deep transformations in the evolving trade agenda while at the same time, delving into its impact in terms of the actors and processes involved in these various levels, we believe this particular question has remained rather neglected. Analyzing interest articulation across negotiations and across countries can certainly profit from the conceptual frameworks of IPE, in conjunction with those elaborated within the comparative political economy tradition.

a) An expanding cast of actors

The landscape of contemporary trade politics cannot be totally apprehended by realist, state-centred approaches.

First, from a realist perspective, taking internal characteristics of nations as having systematic effects on their behaviour, leads to a fundamental misunderstanding of the causes of their actions. In fact, it may give way to an infinite proliferation of variables as explanatory factors and misattribute the causes of state's behaviour, which, according to Waltz [1979], lie exclusively on international structural factors. According to liberalism, this picture of the international system misses out the ways in which both the nature of political and economic competition, and the consequent definition of state interests, are affected by changes in the global or regional system [Fawcett and Hurrell 1995a]. Already in 1968, Cooper identified interdependence as a key feature of the world economy and as having strong implications for trade policies. Later on, liberalism and proponents of “complex interdependence” indicated that there is no automatic hierarchy of issues on the

international agenda. The distinction between “high” and “low” politics, where economic issues were relegated to a second category, could not account for the fluidity among categories and the impact of economics in world politics [Keohane & Nye 1977]. In this sense, Keohane & Nye intended to overcome the tunnel vision in social sciences and bridge the increasing divide between scholars specialized in international economics and those concentrated on world politics.

Second, the nature of trade policy, with its focus on balancing the interests of various domestic constituencies, undermines the notion of the state as a unitary actor, who pursues a clear and identifiable “national interest” [Hocking & McGuire 2004a]. In order to understand trade politics today, we need to disaggregate the analysis of the state and incorporate different interest groups. In other words, state policies should not be taken as homogeneous and as the reflection of a rationale detached from the political process. Understanding the role of the state must move beyond the “national interest” and capture the how and in whose interest, state policies are defined [Hout 1999]. Moreover, as the trade agenda gains in complexity, “*explaining how trade policy is formulated and articulated demands that the role and interaction of a range of governmental and non-governmental actors be taken into account*” [Hocking & McGuire 2004a:3]. This implies looking at a wider variety of actors, whose demands are underpinned by different conceptions about the appropriate relationship between state and market, and who interrelate in different arenas.

This brings us then, to the linkage between levels of analysis: the domestic and international domains.

b) Multiple and simultaneous scenarios

Even if some authors veer towards systemic factors, others place emphasis on the significance of decision-making processes, and others concentrate on the nature of national societies, there seems to be a significant consensus that no one level of analysis can, alone, provide a satisfactory account [Ikenberry *et al.* 1998]. On the one hand, systemic theories fail to explain broad policy characteristics, and statist approaches do not penetrate the complexities of the decision-making process. On the other hand, societal explanations provide a far richer tapestry of policy influences, exposing the limitations of an assumed national interest. However, these may lead to the idea that policy is simply the expression

of conflicting domestic constituencies, with policymakers exercising little or no influence at all over the public policy design [Hocking & McGuire 2004a]. Nevertheless, there seems to be such consensus that a single level of analysis cannot provide a satisfactory explanation. Integrative approaches have been thus developed to consider domestic political and economic processes while at the same time acknowledging the regional and international political and economic dynamics.

Scholars have also explored these cross-level connections. Some of them have considered and analysed domestic influences while assigning a clear role to the policymaker at the point of interface between international and domestic negotiating environments [Putnam 1988; Evans *et al.* 1993]. In this same line, Milner [1997] argues that demands for regional integration outcomes emerge from powerful domestic forces, being the supply of those outcomes the product of international bargains, and, in turn, the consequences of these feed back into the process of domestic politics. Thus, domestic politics and international relations become inextricably interrelated: *“A country’s international position exerts an important impact on its internal politics and economics. Conversely, its domestic situation shapes its behaviour in foreign relations”* [Milner 1997:3]. The literature refers to this interface between domestic politics and regional and international bargaining as a “two-level game”. A second approach intended to capture these interconnections is the second image reverse which focuses and studies international factors causing domestic outcomes [Hocking & McGuire 2004a]. While these two first perspectives take the domestic and international levels as given and look into the connections between them, the domestication of international politics basically intends to determine to what extent both levels vary, and based on this, delves into the ways in which the international system may acquire domestic characteristics¹³.

c) A new script: bridging the gap between comparative and international political economy

In spite of these differences, these various approaches intend to bridge the gap between comparative and international political economy. Bridging this gap appears even more

¹³ For a detailed analysis of these different approaches aimed at connecting and relating comparative and international politics, see Caporaso [2006].

pressing today. As long as the study of political economy can no longer be understood in domestic or national terms, attempting to seal levels of analysis off from each other seems not only impossible but also counterproductive [Gourevitch 1978].

In a context of increasing globalization of the economic, political, and social arenas, an understanding of domestic political economy requires analyzing its location and mode of insertion in regional and global political economies, and, for the same reason, an apprehending regional and international dynamics requires looking into national political economies. This calls for a constructive re-engagement and dialogue between IPE and comparative politics to promote a more constructive understanding of political economy, which is not only international but comparative as well [Phillips 2004a].

The idea is then to look for the intersection of both approaches and this is where the concept of governance offers an interesting point of departure.

1.5. Trade governance

Our study is intended to contribute to the reengagement between comparative and international political economy by proposing an analytical framework aimed at capturing the impact of various trade negotiations on the domestic governance, taken as a continuous process and the dynamic result of the interaction and coordination among different state and non-state actors.

More specifically, we focus on a question that demands further attention – and that has remained relatively neglected: to what extent various trade negotiations have a different impact on domestic governance by promoting either embedded strategies or new institutional arrangements.

Our analysis is framed on the domestic process through which particular constellations of state and non-state actors define their interests and strategies and articulate with each other when facing the launch of particular trade negotiation processes. The study is intended to look into the complex constellation of domestic actors and interests that are activated by an external variable – the launch of particular trade negotiations – and the relationships and interactions established among them. We argue that these constellations must be understood in terms of the intricate interplay between continuing national specificities and

the reconfiguring influences and pressures posed by regional and multilateral trade negotiations.

As we have already mentioned, the recognition of the increasing interconnection across levels and the blurring of the distinction between high and low politics as new complex agendas evolved represented an interesting departure from traditional approaches to the study of international relations. This was reinforced by the notion of transnational relations, which opened up the idea that apart from state-to-state relations, transnational politics included relationships that cut across the domestic-international divide and that involved a wide array of non-state actors, ranging from business actors to the complex and heterogeneous world of CSOs¹⁴. In turn, this brought questions in terms of actors and issues but regarding power as well. In order to answer these new questions, the discipline would move to the concept of governance [Underhill 2000]. Within IPE, governance was intended to depict the limits of national formal policy-making processes and institutions [Rosenau & Czempiel 1992]. Still the concept runs across various disciplines, including not only IPE but administration and public policies, comparative politics and international relations, as well.

Despite the absence hence of a coherent theoretical framework, within this study we rely on some fundamental elements common to these various approaches to governance. We believe these offer a basis to account for the intersection between economics and politics, the domestic and the regional and international, and to capture the new political dynamics derived from the external and internal challenges national governments face.

In terms of the state, this is understood as a key actor but not the only one, as it is increasingly evident in trade policy where more actors are affected by the agendas under negotiation and demand, thus, a space. In addition, the state cannot face these challenges on its own and has to construct and reconstruct its abilities through various mechanisms of political coordination. Therefore, state and non-state actors interact and interchange information in a rather permanent fashion through different institutional mechanisms – either formal or informal – to achieve particular political objectives.

¹⁴ CSOs, especially those NGOs working in the areas of human rights, feminism, and environment, gained prominence already in the 1970s. The 1972 United Nations Conference on the Human Environment held in Stockholm did not only redefine the relations between international institutions and CSOs, but it was also crucial in the formation of international networks and the emergence of new forms of global activism.

Nevertheless, and given that globalization and national governance are interdependent, and not antinomies, when faced with external pressures, the strategies implemented by state and non-state actors – even though they are path-dependent – are transformed to participate in the global scenario [Weiss 1997; 1999]. In this sense, the particular articulations established between state and non-state actors to respond to different regional and international challenges are conditioned by the country's historical, institutional and social configurations, and by politics. In other words, these articulations depend heavily on domestic institutional structures, particular sets of political, and policy choices on the part of governments and a myriad of social actors.

Our research proposes a more detailed framework to look into the complex constellation of domestic actors and interests that are activated by an external variable – the launch of particular trade negotiations – and the relationships and interactions established among them in a specific institutional scenario. In doing so, it is also intended to critically examine and advance a systematic and contextualized comparison [Locke & Thelen 1995] of two countries. Do these articulations relate to already institutionalized and established patterns? Alternatively, do they imply new institutional arrangements to cope with the challenges trade negotiations bring about, giving thus way to similar public-private articulations across countries?

CHAPTER 2

THE POLITICAL ECONOMY OF INTERNATIONAL TRADE

The vast and dense literature on trade policy seems to confirm the idea that trade policy appears to be the best-studied area of IPE [Frieden & Martin 2002].

In fact, trade politics has been on the research agenda of IPE for the last fifty years. Most scholars studying the political economy of trade have been primarily interested in understanding how domestic and international elements interact. Thus, they have explored different sets of interrelated and mutually complementary issues in the domestic and the international levels as they affect trade policies and outcomes.

The review of this various explanations and approaches is crucial to see to what extent they can provide us with some answers regarding the differential impact that various trade negotiations have on domestic trade governance.

While these more traditional perspectives fail to provide us with enough analytical elements to account for this, we have found that *governance*, a more recent concept in the field of IPE, offers an interesting point of departure to capture the complex challenges that trade negotiations entail for both state and non-state actors in the contemporary world. Finally, and given that most of IPE and governance analyses have focused on the developed world, we intend to contribute to this literature by delving into the constellation of actors and forces involved in the political economy of trade in Latin America, with a especial focus on the Southern Cone, which must also be understood within the global context.

2.1. A review of IPE approaches to trade politics

a) Domestic-level explanations to trade politics

An important starting point for understanding trade politics is to analyse domestic preferences and interests and the way these interests are mediated through political institutions. Thus, when looking into the domestic side of foreign trade policies, explanations have revolved on changes in trade preferences among domestic actors, either

societal groups or political leaders, on the one hand, and on the changes in political institutions, on the other.

- **Actors: preferences and interest organization**

Starting with Adam Smith [1976], some of the earliest models explaining trade policy have focused on pressure group politics. Later on, these would be complemented with more fine-grained analysis to determine which groups would favour or oppose liberalization. However, the extent of protection and the demands for it show variation not only across countries, but also across industries, and the literature has provided different explanations for this variance. Building on the conclusions of economists who had explored the distributional effects of external trade policies, political scientists have developed different approaches to deduce and explain the policy preferences of the affected interests [Frieden & Martin 2002].

On the one hand, and relying on the Stolper-Samuelson theorem [1941], scholars have predicted that factors of production that are abundant benefit from trade liberalization and therefore favour it, while, in the absence of compensation, free trade harms the owners of scarce factors. Hence, the position over trade policy follows factor lines: those factors that are scarce in a country will demand trade protection whereas abundant factors will favour trade liberalization. Building on this assumption, the literature has shown that labour in capital-abundant (developed) countries and capital in labour-abundant (developing) countries tend to be protectionist. In fact, a number of studies have found evidence in support for factor types explaining trade-policy preferences. Assuming that preferences reflect factoral interests, this model provides an elegant explanation for different groups' trade-policy preferences based on their countries' relative factor endowments. Moreover, changes in exposure to trade affects domestic political cleavages and trade coalitions, by either increasing class conflict or urban rural conflict according to the factor endowments of different countries [Rogowski 1989].

On the other hand, sectoral and firm-based theories of trade preferences based on the Ricardo-Viner model of trade, locate interests and preferences at the level of the sector. While in the previous model factors can move freely among sectors, this second approach assumes that at least one factor is immobile and cannot shift costlessly from a losing to a

winning sector. Thus, the approach emphasizes comparative costs, showing that factors attached to import-competing sectors will tend to oppose liberalization whereas those within the export-sector will generally support liberalization [Milner 1988; Frieden 1991; Gilligan 1997]. Building on this assumption, Magee *et al.* [1989:2-3] have shown that tariffs are endogenous: they are “*the outcome of a redistributive battle between lobbies fought through the political system and with all of the key actors displaying maximizing behaviour*”. In sum, within this model, the distributional consequences of trade policy follow sector or industrial lines, predicting thus, the formation of political coalitions along export versus import-competing industries [Adserá & Boix 2003:76].

Frieden [1991a] applies this model to Latin America and by looking into the demand side of political economy, intends to explain different political and economic outcomes in five countries facing similar external economic challenges. In doing so, he mainly focuses on the competition between business and labour coalitions holding divergent positions regarding trade policy. More recently, Hiscox has examined levels of inter-industry factor mobility in six Western economies and has suggested that the types of political coalitions that are formed and organized to influence trade policies largely depend on one basic feature of the economic environment: “*the extent to which factors of production are mobile between industries within the economy*” [2002:5].

Factoral and sectoral models have hence argued that liberalization leads to an increase in the income of owners of abundant factors while at the same time, decreases the benefits of scarce factors. Conversely, protectionism damages abundant-factor owners and benefits scarce-factor owners. Still, these models depart when it comes to the so-called “factor specificity”, that is to say, how closely factors are attached to their sectors as shown by Alt *et al.* [1996]. These scholars have also argued that rather than resolving this factoral-sectoral debate, and given that the degree of factor mobility and/or specificity is determined by a variety of institutional and technological elements, research should focus on the conditions that give way to particular degrees of factor mobility¹⁵.

Moving away from these distributional perspectives, the literature has also analyzed the preferences of other domestic actors, namely, individual voters taken as consumers.

¹⁵ Other studies, which span the divide between sectoral and factoral models of trade politics, have delved into particular characteristics of industries that affect patterns of liberalization and protection, drawing thus distinctions across types of capital, reliance on skilled and unskilled labour, and their orientation either towards domestic or international markets [Pincus 1975; Caves 1976; Baldwin 1986; Milner 1988].

However, findings are puzzling. Grossman & Helpman [1994] have shown that consumers should favour free trade because they gain from liberalization, but other models contradict these conclusions as they introduce other components or explanatory variables. Employing a Heckscher-Olin model of trade preferences and building on Downs [1957], Mayer [1984] introduces an electoral element into the determination of trade policy and develops an analysis of voting costs. Mayer's main argument is that an increase in the number of actors owning large shares of the abundant factor, relative to the number of agents owning large shares of the scarce factor, will result in a median voter with a preference for a more liberal trade regime. A new element is introduced by Scheve & Slaughter [2001], who provide thus novel evidence on the determinants of individual trade-policy preferences by looking into asset ownership. Their findings suggest that the preferences of individual voters depend on how trade affects their assets.

In sum, according to these various models and analyses, trade policy is "*the result of the deliberate action of distributional coalitions – rent seekers who profit from subsidies, tariffs, and regulations*" [Schamis 1999: 236] and lobbying over trade policy can be equated with rent-seeking [Magee *et al.* 1989].

All these various approaches offer a clear sense and better understanding of actors' preferences and interests. However, their concrete influence may vary not only according to particular characteristics of these actors and groups but also according to the type of issue or policy domain.

In the first case, groups with more resources – namely, information and expertise – are expected to gain influence over policy outcomes [Lohmann 1998; Henning 2004]. Determining the various ways in which these interests are organized is also important since actors need to overcome collective action problems in order to develop particular political actions and strategies – either to demand protection or liberalization. Here the literature has mainly relied on Olson's theory of collective action [1971] and has distinguished between concentrated and diffuse interests, showing that collective action is easier for smaller groups whereas more diffuse interests find it difficult to translate these into concrete strategies and actions. Thus, concentrated and intense interests tend to dominate more vague interests [Gourevitch 1986]. Still, there may be important cleavages and conflicts among concentrated interests regarding trade policy [Destler & Odell 1987; Milner

1988]. This last assumption brings us to the second point: how influence varies across issues.

In this case, the most important distinction explaining variation in interest group influence is the type of policy. As categorized by Lowi [1964; 1985], policies can be strictly regulatory, redistributive, distributive or constituent, and each of these various types of public policy will tend to develop its own distinct political structure and process, leading thus to “*four distinguishable arenas of power*” [Lowi 1985:75]. Other analysis in the politics of regulation include that provided by Wilson [1980; 1983] who has delved into the distribution of political benefits and costs, which may be either concentrated or dispersed, and the particular ways in which these can affect the incentives for actors to organize and engage in collective action. The particular distribution of costs and benefits will promote a particular pattern of political or collective action. While policies with concentrated benefits and diffused costs will lead to “clientele politics”, those having both concentrated benefits and costs will promote “interest group politics”. When benefits are diffused and costs concentrated, policies will more generally lead to “entrepreneurial politics”, whereas those showing both diffused benefits and costs, will lead to a “majoritarian politics” pattern.

Moreover, the group influence on political outcomes is also correlated with the salience of an issue and its technicality. Whereas in the first case, the more attention the public pays to an issue, the more difficult it would be for particular interest groups to influence the decision [Mahoney 2007], in the second case, their influence will depend on the extent to which they can fulfil the resource requirements of the government [Woll & Artigas 2007; Botto 2009; Botto & Bianculli 2009b].

Nevertheless, identifying and understanding interests, preferences and their organization is just a preliminary stage in the analysis of domestic constraints on foreign trade policy. In order to explain how the preferences and interests of the different actors are translated into policy outcomes or trade policy decisions, analysis must turn to domestic political institutions.

- **Political institutions**

Actors’ collective action problems are strongly affected by constraints and opportunities imposed by domestic political institutions. In addition, their interests and preferences are

mediated through domestic institutions and these can certainly influence outcomes. Therefore, in order to determine which actors will mobilize and how, it is crucial to bring domestic political institutions into the analysis. Though still in its infancy, when compared to research based on collective action theory [Adserá & Boix 2003], the literature on the impact of political institutions on trade offers some interesting insights on the relation between these two variables.

A first striking area of study is related to the impact of different types of political regimes on trade policy. The debate revolves mainly around democracies and autocracies, which are associated with different trade policy profiles. Building on the Kantian perspective on democracy and peace, scholars have shown that democratic countries are prone to cooperate more and to engage in trade agreements than autocratic ones [Mansfield *et al.* 1997; 1998]. Given that protectionism constitutes a form of rent-seeking and autocracies display a taste for promoting such strategies, they tend to pursue protectionist policies more intensely [Wintrobe 1998]. In general terms, the recent rush to free trade in developing countries is explained by the previous democratization of their political systems, reducing thus the ability of governments to use trade barriers as a strategy for building political support [Milner & Kubota 2005].

Based on the assumption that political institutions rather than preferences are crucial in explaining trade policies, a number of scholars have focused on the political and institutional dimension within democratic regimes. Their main argument is that institutions aggregate preferences. Given that diverse institutions do this differently, they lead to different political outcomes [Milner 1999; 2002]. Following this argument, Nelson [1988] has argued that understanding the creation, maintenance, and transformation of institutional structures is crucial to explain the actual supply of protection, rather than simply its demand. This supply side is characterized by various elements – centralization, specialization, and discretion – and their relationships. Similarly, other scholars have also delved into the impact of particular institutional characteristics, specifically, the ways in which institutions perform their main functions: aggregation and delegation. The exact modes in which institutions aggregate interests affect the ability of actors and groups to organize and determine their weight in the political process. At the same time, delegation of decision-making authority to specific actors impinges on the weight of various interests in the political process [Frieden & Martin 2002:132].

Thus, scholars have analyzed the extent to which institutions – electoral, legislative, and bureaucratic – empower particular interest groups and the degree of insulation from societal pressures. Some institutions tend to give to some interest groups larger access to the extent that it is almost impossible for policymakers to ignore their demands, as clearly shown in the case of the institutional structure of trade policymaking in the United States [Baldwin 1986; Goldstein 1993]. In contrast, other institutional arrangements tend to insulate decision makers from the pressures and demands of actors and groups, giving them more leeway to define and implement policies. Insulation and delegation to bureaucrats underpins trade liberalization processes undertaken in numerous developing countries during the 1990s [Haggard & Webb 1994; Haggard & Kaufman 1995] but also in the United States already in the 1930s. Haggard [1988] explores the interests, initiatives and capacities of state actors that led to the institutional changes embodied in the Reciprocal Trade Agreements Act and which, in turn, impacted on interest groups, especially in terms of their discourse and incentives to develop particular types of lobbying.

Different electoral institutions and systems also impinge on the trade decision-making process as they act as transmission belts of societal interests to politicians [Frieden & Martin 2002:132]. When contrasting majoritarian and non-majoritarian institutions, Alt & Gilligan [1994] find that the former – namely, presidential elections or referendums – tend to reflect the preferences of the median voter and promote the articulation of broad-based coalitions, whereas non-majoritarian institutions, in contrast, reinforce the growth of particular interests.

In terms of systems of proportional representation, findings seem to be puzzling. On the one hand, authors have argued that in countries with systems of proportional representation and large electoral districts, policymakers tend to be more insulated from domestic pressures. This is because the electoral importance of the median voter increases as the impact of particular interests and actors is reduced. In turn, this leads to more free trade [Rogowski 1987]. However, and under these same conditions – i.e. systems of proportional representation and large electoral districts – other scholars have found that this greater insulation leads to more protection rather than liberalization, as shown by the implementation of non-tariff barriers [Mansfield & Busch 1995].

Finally, studies focusing on the institutional determinants of trade policy have delved into the structure of government and the nature of the party system as important factors having an impact on trade.

In terms of the party system, McGillivray [2004] shows that there is no direct and unambiguous relationship between either industry geography and political power or electoral system and level of protection. These are contingent on how legislators induced preferences are aggregated into policy outcomes, which is given by the electoral rule and the features of party competition. Hence, she argues that trade protection depends on how the industry is distributed and on the electoral system, namely the electoral rule and the strength of political parties (electoral cohesiveness). In addition, changes in ruling parties can help explain transformations in trade policy [Epstein & O'Halloran 1996]. Building on this assumption, Milner [1999; 2002] has shown that highly polarized party systems may experience huge swings in policy, leading to unsustainable trade reforms. Similar conclusions were presented earlier by Haggard & Kaufman [1995], who drawing on contemporary political economy and the experiences of twelve countries in Latin America and Asia, contended that countries with strongly fragmented or polarized party systems encountered more difficulties when initiating – and sustaining – trade liberalization processes. In the case of developing countries, difficulties to implement trade policy reforms can also be explained by the weak administrative capacities of states, being these capacities another important factor determining the configuration of trade policy [Magee *et al.* 1989; Rodrik 1994; 1995].

Regarding the structure of government, Lohmann & O'Halloran [1994] have developed a model to capture the roles of domestic conflict and institutional design and have thus found that partisan conflict and divided government are associated with higher levels of protection. Similar arguments have been put forward by other authors looking into the interaction between party systems and government structures [O'Halloran 1994].

As convincingly argued by Milner, these various approaches to the institutional dimension and the different arguments elaborated to account for diverse trade policy profiles “*depend on prior claims about actors' preferences*” [2002:452]. Similarly, Hiscox [1999] argues that pure institutionalist accounts fail to explain institutional change, which may be related to different alignment of interests and party constituencies.

Nevertheless, similar shortcomings can also be attributed to those analyses just delving into actors' preferences. Bringing together both dimensions offers an interesting path for future research since the question of which comes first – interests or institutions – is far from settled and only a few studies have attempted to deal with both preference formation and institutional effects simultaneously [Putnam 1988; Evans *et al.* 1993; Gilligan 1997; Milner 1997].

This brings us to a highly debated issue in the literature regarding interest and preference formation, on the one hand, and institutions, on the other. When it comes to explaining interests, new institutionalism has provided three different explanations of human action according to the particular factors emphasised: the individual, the institutional context or larger social elements such as cultural factors, social norms, and conventions. Hence, whereas rational-choice institutionalists have argued that institutions are created by utility-maximizing individuals and once in place, institutions lay down the frameworks for further action [Cook & Levi 1990], both historical and sociological institutionalisms have attempted to develop more encompassing explanations to account for the formation of interests and preferences.

Historical institutionalism has contended that institutions shape the preferences and goals of the actors and thus, should not be treated as constant – in fact, by distributing power among the players, institutions help shape the policy process outcomes [Hall 1986; March & Olsen 1989; Steinmo *et al.* 1992]. Sociological institutionalism has argued that preferences and interests are a product of the institutional setting and of deeper and larger frames of reference – namely, culture and society [Powell & DiMaggio 1991; Granovetter & Swedberg 1992]. As individuals find themselves “embedded” in institutional settings – which include not only rules, procedures, organizational standards, and governance structures, but conventions and customs as well – their rational action is defined by this institutional setting as this shapes expectations about the future [DiMaggio & Powell 1983; Powell & DiMaggio 1991]¹⁶.

Based on these different assumptions regarding the role of institutions in the determination of political and social outcomes, the three institutionalisms have offered different analytical and methodological approaches. However, in terms of the domestic side of trade politics,

¹⁶ Powell & DiMaggio [1991] appeal to the notion of embeddedness developed by Polanyi [1957, 2001] and expanded by Granovetter [1985], and which would also be deepened by Evans [1995].

Frieden & Martin [2002] consider that IPE has advanced through a consensual method. This approach entails moving from the specification of the interests at play to the ways in which these interests are organized, and finally to the examination of the political institutions that determine the impact of organized interests on policy through aggregation and delegation.

Nonetheless, and in spite of the drawbacks and shortcoming of the literature in terms of the analysis of domestic preferences and political institutions, a purely domestic analysis fails to provide a complete picture as trade politics is also determined by particular international variables. In other words, domestic forces explain part of this process but these have to be complemented with international dynamics, a dimension to which we turn in the next section.

b) International-level explanations to trade politics

Trade politics is not only affected by domestic variables, but by different international factors as well. Two international elements appear to be the most common explanations offered by the literature to account for trade policy choices¹⁷: the strategic interaction of countries and the existence of regional and international regimes to promote free trade across countries [Milner 1999; Frieden & Martin 2002; Milner 2002; Adserá & Boix 2003].

• Strategic interaction of states

Building on the realist tradition, scholars have assumed that the interaction of states in the international system influences their trade policy choices. In other words, the international system poses particular constraints and opportunities to states, which in turn determine their trade policies. Thus, the analysis of the international interaction of states proceeds

¹⁷ Apart from these two factors, some authors have also linked rising levels of international trade to deeper and exogenous changes. This “*exogenous easing*” of international exchanges is due to decreases in the costs or to increases in the rewards of international economic transactions [Rogowski & Frieden 1996:26]. In other words, the adoption of free trade policies results from a change in the costs and rewards of international transactions. Several factors account for this change in costs and rewards. Among these, Rogowski & Frieden have highlighted the importance of five underlying elements: transport costs, the development of international infrastructure, changes in production processes characterized by economies of scale and growing cross-national disparities in total factor productivity, together with government policies. The latter comprise not only the most direct and visible policies – tariffs, quotas, and capital controls, among others – but those promoting a stable international monetary system as well.

through the idea that states constitute units, being the main focus the identification of patterns of state interests and how these vary across states and issues, irrespective of domestic variables and factors.

One approach is to build on the examination of domestic variables to come up with these common patterns, though in practice, a more extended approach is that of delving into how the position of national states in the international system affects their interests. Rather than asking how domestic variables – actors, interests, and political institutions – determine their policy choices, this approach examines how the international arena shapes state policies. Based on the assumption that the distribution of power in the international system affects state interests, the main external variable, and the explaining one, is power. Power and stability will also promote free trade. In fact, one of the main claims of this approach – known as the theory of hegemonic stability – is that a concentrated distribution of power leads to preferences that facilitate cooperation. Consequently, when the international system or economy is dominated by a hegemon, free trade would be most likely.

Within this theoretical framework and by extending public-goods theory into the international arena, Gilpin [1987] and Kindleberger [1975] have posited that free trade will be most likely in the presence of a hegemon dominating the international system or economy. In a similar vein, Krasner [1976] has shown that a context of hegemonic distribution of potential economic power is likely to result in an open trading structure, being the Pax Britannica of 1870-1914 and the *Pax Americana* of the first post-war period the most vivid examples of this theoretical assumption. However, Krasner amends this state-power argument by introducing the domestic side of trade policies into the analysis. In doing so, he highlights the importance of path-dependence; that is to say, the impact of past state decisions on domestic and international economic structures. Thus, he provides empirical data showing that both Great Britain and the United States could not introduce policy amendments in line with state interests because of the pressure exercised by particular interest groups whose power had been enhanced by earlier state policies¹⁸. In other words, a hegemon is a necessary but not sufficient condition for the expansion of free trade at the international level.

¹⁸ Similarly, but some years after, Gilpin intends to overcome what he considered a shortcoming of his 1987 book – which “lacked an adequate domestic dimension” – by fully addressing “national systems of political economy” given their crucial importance for both domestic and international economic policies [2001:3]. See also Gilpin [1987].

This more elaborated analysis would also be the focus of other studies challenging the basic assumption that in the presence of a hegemon free trade would simply flourish. Scholars have hence analyzed to what extent interests conducive to cooperation could emerge among small groups to find that hegemonic stability is, in fact, only a special case of international cooperation and that an open trading system could also be maintained by small numbers of powerful countries [Snidal 1985]. Moreover, Conybeare [1984] argues that hegemons do not necessarily pursue free trade. Based on the assumption that free trade is not necessarily the optimal solution for any single country, Conybeare focuses on large countries – like the United States – to argue that for such players free trade may not be the first best solution, and that these can improve their terms of trade by imposing an *“internationally redistributive optimal tariff”* [1984:11].

When discussing with hegemonic stability theory, scholars have also highlighted how the issues at stake influence patterns of interests. Gowa [1989] argues that this theory neglects the essence of the domain to which it applies, namely, the politics of interstate trade in an anarchic world. In order to overcome what she finds the most significant flaw in hegemonic theory, she appeals for the explicit inclusion of security externalities when examining international trade in an anarchic context. In this same line, cooperation and free trade should be more likely among allies than among adversaries and more likely still when alliance patterns are rigid – under bipolarity – than when they are flexible – under multipolarity [Gowa 1989; 1994]. In doing so, Gowa contributes to the debate regarding the interactions between different types of interests, mainly between security issues and trade patterns. States can address security externalities of foreign trade by promoting free trade with their allies than with their adversaries – either actual or potential. In this line, Mansfield [1994] through a careful empirical analysis of power, trade, and war, has examined the relationship between international trade and war on the systemic level, and has thus concluded that trade influences the pattern of war negatively and that the level of international trade is inversely related to the onset of war.

Recent works have proposed a more grained analysis of the impact of the distribution of power on state interests by looking at the different types of actors and players in the international scenario. Based on two dimensions – relative size and relative productivity – Lake [1984] distinguishes between six categories of states and argues that large and productive nations will be hegemonic leaders whereas large but less productive states will

function as imperial leaders assuming a more coercive role. Hence, he introduces a distinction between the capacity to endorse or support free trade and the willingness to pursue such policies.

Clearly, these different approaches to the international dimension of trade policy choices rely heavily on the strategic setting, that is to say, the form of the game [Frieden & Martin 2002]. This strategic setting is composed of various factors including the number of actors involved, the rules of the game and the degree of institutionalization constraining this interaction, together with the agendas and issues involved. This is particularly evident in the case of trade policy. As bilateral trade negotiations pose different constraints and opportunities than those involving a few states or a large number of actors as in the case of multilateral trade negotiations at the WTO, the number of rules and their degree of institutionalization, also pose divergent challenges for states. In other words, the strategic setting determines the structure of the interaction as it establishes the limits and possibilities of the economic relations among states. In this sense, international institutions have been noted as having effects on international economic interactions. The literature has provided different approaches to the role of international institutions and regimes, being these both cause and consequence of variation in these international economic interactions.

- **International regimes and institutions**

Studies on the role of international regimes and institutions were, in a way, a reaction to previous studies within the hegemonic stability theory framework that predicted a decline in international economic cooperation because of the United States decline as a hegemonic power in the 1970s [Frieden & Martin 2002].

Pioneering studies in this field have been those in the area of international regimes as developed by Krasner who defined regimes broadly as implicit or explicit principles, norms, rules, and decision-making procedures constructed by states to coordinate their expectations and organize aspects of their behaviour in different issue areas in international relations [1983:1-22]. Within a similar spirit, Keohane [1984] argued that even if hegemonic power may be a necessary condition for the establishment of cooperation among states, after hegemony, cooperation may endure through institutions. Thus, he built on the notion

of regime already presented in the late 1970s as “*sets of governing arrangements*” that include “*networks of rules, norms, and procedures that regularize behaviour and control its effects*” already presented in the late 1970s [Keohane & Nye 1977:19].

In spite of the pessimistic predictions, cooperation did not fade and in many areas, it appeared to be stable and even to increase¹⁹. In terms of international economic cooperation, this particular issue area evidenced higher levels of institutionalization, as shown by the GATT and its successor, the WTO, together with the leading role that institutions such as the IMF and the World Bank (WB) played during the 1980s and 1990s. Moreover, apart from these multilateral institutions, regional trade organizations have proliferated. The effects of these institutions on the liberalization of trade have been strongly debated in the literature and even if in some cases – especially in the case of regional trade organizations and regimes – the effects seem to be more ambiguous, this process of institutionalization seems to confirm the idea that institutions matter [Milner 1999; 2002].

When it comes to the effects of these international economic institutions on trade policy, the literature has argued that their main role is to provide information. In effect, in a context of incomplete information where states confront a myriad of uncertainties, institutions perform a powerful role. Ruggie further developed the idea of international regimes taken as social institutions. Based on the examination of the effects of the regimes for money and trade in the evolution of the international economic order since the Second World War, he argued that regimes promote the convergence of expectations as institutions “*limit the discretion of their constituent units to decide and act on issues that fall within the regime’s domain*” [1982:380].

However, institutions do not only provide information on other actors’ behaviour, leading thus to the convergence of expectations. They also provide a forum for the settlement of disputes as shown by the judicialization of the WTO and the establishment of different mechanisms at the regional level as well. The literature has examined this role rather extensively from a multilateral, plurilateral, and regional perspective [Yarbrough & Yarbrough 1992; 1997; De Bièvre 2006; Shaffer 2006].

¹⁹ A large body of theoretical and empirical literature paralleled the increase in international cooperation and institutionalization. For a review of the different contributions, see Martin & Simmons [1998].

More recently, the focus has been placed on the relation between international institutions and the extensive expansion and deepening of regulation. In this sense, in today's globalized world, the proliferation of international institutions is taken as a response to the growing need of states to manage issues that go well beyond their physical borders and limits. However, some variation is expected to emerge regarding the ways public and private regulation proceeds in different domains or issue-areas, namely, security, human rights, and environment, among others [see Mattli & Woods 2009b]. Within the economic domain, regulation constitutes a central feature of the trade agenda, raising thus a number of issues regarding its impact not only on the economic domain but in other areas – such as the legal, social, and political arenas – as well. Moreover, and as it alters the traditional notion of sovereignty, it raises new questions in terms of the role of the nation state and its impact on the domestic trade governance.

2.2. Trade politics and governance

The central argument of this research is that trade policy has changed dramatically during the last 25 years. The broadening and deepening of the trade agenda has led to profound transformations regarding state and non-states actors' interests and strategies, while the multiplication of the negotiation scenarios has added the flavour of complexity as actors face now multiple and simultaneous negotiation arenas. Thus, the complexity and diversity of agendas, especially when comparing across regional and multilateral negotiations, and the numerous scenarios where these take place, make it difficult to predict interests and strategies *ex ante*. In this sense, classic trade policy predictions may fail to account for the actual policy stances and strategies of state and non-state actors when facing particular trade negotiations.

As classical approaches to trade policy have focused on the demand-side of the relation between state and non-state actors, among which business interests have captured almost exclusively the attention of these scholars, they do not seem to be able to apprehend the greater variety of relationships and interactions established between state actors and business, but also with other non-state actors. Moreover, these interactions may even vary across particular trade negotiations given their different regulatory agendas and commitments. This more complex reality calls for a wider approach to trade politics.

Such an approach requires developing an integrated analysis that combines theories portraying agency in terms of a conception of rationality together with contextual theories that explore structures institutionally and historically [Gamble *et al.* 1996]. According to Payne [2005], this constitutes the fourth conceptual assumption of IPE, which has been the focus of the IPE literature on governance.

Building on these assumptions, we argue that understanding and accounting for the more complex and heterogeneous patterns that trade politics exhibit demands analysing two fundamental elements. On the one hand, it entails looking into the challenges featured by trade negotiations occurring simultaneously at different levels, and into the ways through which state and non-state actors define and adjust their policy stances and strategies at the domestic level to respond to these external challenges, on the other. The notion of governance provides the necessary linkage between the international political economy context and the associated pattern of domestic public-private articulations.

a) From government to governance

Governance is one of the most widely deployed concepts in the field of IPE [Payne 2005: 55]. Since the 1990s, governance has had a leading role in the scholarly literature and within wider political and social debates. Governance appears thus to transcend frontiers as it is applied in many different contexts. Nevertheless, there seems to be no consensus on the precise definition of governance, which remains as an elusive concept, showing multiple significations and even certain ambiguity in its various uses.

A first distinction arises between projects of governance as a policy condition, on one hand, and theories of governance, on the other [Mette Kjær 2004; Payne 2005]. While the first refer to the notions of good and global governance as policy conditions or ideological endeavours usually associated to international institutions – namely, the WB and the IMF – from a theoretical perspective, scholars have elaborated different approaches to the analysis of the contemporary realities of governance. The concept of governance has been developed within different fields, including public administration, comparative politics, international relations, and the term is used in a variety of ways, showing also a great variety of meanings. Still, and even if there is no universally accepted and agreed definition of

governance, we believe that there are some basic elements underlying these various readings of contemporary politics.

In the first place, there is a baseline agreement that governance offers a wider approach to the process of government. Governance is seen as an alternative to government and state control. Thus, it assumes a redefinition of a phenomenon that it is in fact as old as that of government: the search for collective interests through political institutions but also by means of various schemes or frameworks that transcend the public-private distinction [Maier 1989]. The notion of governance highlights that the idea of governments in its classical liberal sense does not adjust to modern politics, where new methods of control and regulation flourish and in which neither the state nor the public sector retain exclusive monopoly [Hirst 2000]. In a context where the state is undergoing important transformations and restructuring because of internal and external changes, governance emerges as an alternative way of expressing collective interests. This does not replace but rather complements the search for collective interests through traditional institutional mechanisms [Pierre 2000c; b]. In fact, governance entails the idea that formal authority is complemented by an increasing dependency on informal authority, as for example, in the case of negotiated forms of public-private coordination. In this sense, the emergence of governance should not be understood, *prima facie*, as a sign of state decline, but of its transformation. What is at stake is the image and notions firmly established regarding the state, the articulation and search for collective interest, and the ideas of democratic and accountable government, central elements in the traditional image of the liberal-democratic state.

This takes us to a second element: the notion of governance entails a rupture with the traditional model of centralized and hierarchical state, where institutional channels for citizen participation and the representation of their interests, together with its accountability were clearly established and defined. This image typical of the liberal democratic state fails to apprehend fully the nature of democracy today. As new manners and methods of control and regulation, upon which neither the state nor the private sector hold complete monopoly [Hirst 2000] are developed, the state-society divide and the corresponding communication mechanisms are redefined. Hence, it is crucial to rethink the role of the state in society, on the one hand, and the channels and processes of democratic political control and accountability, on the other. In this sense, governance is based on

previous analyses but acknowledges the idea that governing operates in a new context [Chhotray & Stoker 2009]. The focus is thus on the transformations that entail the transition from the notion of central government attached to the nation-state as the main provider of control and regulation within the national territory, to another where power and control are no longer constant as established by the theory of the sovereign state [Hirst 2000]. Even if the state still plays a central role in the decision-making process, this is no longer the unique representative of the general interest. A wide range of non-state actors demands a place and voice in the decision-making process. Governance places the state at the focal point while at the same time attempts to account for the new patterns of state-society relations.

This increasing plurality calls for, as a third element, different forms of coordination and political cooperation [Hirst 2000; Pierre 2000c]. These include various new institutional patterns of public-private relations – both formal and informal. In contrast to previous approaches, where attention was mainly focused on the state and its political and institutional capabilities to steer society and economy through political negotiation and the definition of objectives and priorities, governance focuses on the way in which the state interacts with society in order to reach mutually acceptable decisions [Kooiman 1993; Rhodes 1997; 2007]. However, and contrary to the more traditional notions where state strength is taken as the set of powers and capabilities derived from its constitutional or legal assets, within governance, state capabilities constitute a relational term that results from the state's capacity to structure and relate with various resources and agents in particular policy areas [Pierre & Peters 2000; Jayasuriya 2004]. Traditional, formal and legal “powers over” are replaced by contextual “powers to” [Gourevitch 1986]. State effectiveness is given thus by its “relational capacity”. Hence, governance is an emergent quality of the coordination and interaction among actors, rather than the result of the imposition of control from above.

Nevertheless, the idea of democratic government is still attached to the concept of legitimacy, representativeness, and accountability. Thus, just as the increasing plurality requires greater coordination, this calls for institutional mechanisms relatively established to guarantee not only effectiveness, but also efficiency and democracy in the decision-making process.

Coordination and interaction promotes the creation of networks and state and non-state actors interchange information in a rather permanent fashion through various institutional – formal and informal – mechanisms to achieve political objectives. However, and as acknowledged in the governance literature, complexity and interdependency entail a dual problem in terms of efficiency and democracy [Hirst 2000; Eberlein & Grande 2005]. In the first place, it is still to be seen to what extent this articulation and coordination between state and non-state actors turns out to be efficient, that is to say, to what extent it promotes common objectives, and hence it assures the governability of the political system. Second, while the inclusion or adaptation of government decisions to non-state actors' demands and preferences can enhance the sustainability of governmental action, and thus, governability, as long as governance is based both on formal and informal mechanisms, this may spur problems of democratic legitimacy. The participation of non-state actors dilutes or blurs the distinction between public and private and tends to reduce the visibility of the decision-making process. In turn, this may entail that particular interests are privileged against the common interest. The challenge then is how to promote an effective democratic voice based on the various interests at stake, in the construction of the common interest in order to promote legitimacy, on the one hand, and guarantee consistency and coordination among the various actors and levels involved, on the other [Hirst 2000].

b) A governance approach to trade politics

This idea of a transition from government to governance runs across various disciplines, each of which has emphasized different elements when trying to account for the transformations in the role of the state and the patterns of state-society relations.

While the literature in international relations emphasizes the emergence of governance as a by-product of globalization, within comparative politics this notion is also related to transformations in domestic institutions because of domestic demands and increasing international pressures. From an international relations perspective, governance implies a collection of *“regulatory mechanisms in a sphere of activity which function effectively even though they are not endowed with formal authority”* [Rosenau 1992:5]. From a domestic perspective, governance entails steering, managing formal and informal rules, and looks into democratic control [Hyden 1999; Hirst 2000].

Building on these different approaches, Stoker has argued that the main value of governance is its capacity to provide an organizing framework for understanding changing processes of governing [1998: 18]. However, and given that governance patterns can vary not only across time but also across policy areas [Pierre & Peters 2000], in order to gain a deeper understanding of how actors articulate and coordinate, it is necessary to focus on a particular policy area.

Within this study, we apply this framework to the analysis of contemporary trade politics. This decision rests on three key elements. In the first place, the use of the concept of governance can be seen as a reaction not only to changes in political practices, but also to transformations related to increasing regionalization and globalization [Mette Kjær 2004; Chhotray & Stoker 2009]. This notion acknowledges the idea that rising interdependence and interconnection has rendered obsolete the clear boundaries between the domestic, the regional and the international levels to the extent that these cannot be analyzed separately. Second, governance differs from government: it refers to activities based on shared goals that do not derive from legal or formally prescribed responsibilities and which, in addition, are the result of various processes related to intermediation, coordination, and bargaining [Payne 2005]. In this sense, governance is a broader phenomenon than that of government [Mette Kjær 2004] and even an alternative to government and to exclusive control by the state [Hirst 2000]. Finally, it acknowledges the increasing participation of non-state actors and the emergence of new patterns of state-society relations both at the domestic and international levels. This is shown by the emergence of a complex mix of actors – including state and non-state actors – which have played an increasing role in the configuration of global rules and norms since the end of the Cold War [Hall & Biersteker 2002; Lipschutz & Rowe 2005; Payne 2005; Djelic 2006]. In addition, state and non-state actors interact and interchange information through various institutional mechanisms and procedures – both formal and informal – in a rather permanent fashion at the domestic level [Hirst 2000].

In sum, we find that these elements offer a basis to account for the intersection between economics and politics and the domestic and the regional and international levels. In addition, it captures the new political dynamics derived from the internal and external challenges national governments face and which have led to the materialization of networks crossing the state-society divide in different policy areas, which turn out to be of particular significance in the case of trade politics. In other words, the concept of

governance allows us to examine changes in public steering in an increasingly complex and interrelated world [Kooiman 1993; Hirst 2000; Pierre 2000a; Pierre & Peters 2000].

More specifically, such a governance approach to trade politics calls for its application in a particular institutional context and in a certain period in time. Within our study, we focus in Latin America, a region that since the early 1990s has undergone deep liberalization processes that transformed its insertion in the global scenario as shown by the multiple and simultaneous negotiations countries faced. We now turn to these transformation processes in the region, which constitute the empirical basis for our call for a more nuanced approach to trade politics given the dramatic changes in the trade agenda and the specificities of trade politics in Latin America.

2.3. The contours of trade policy in Latin America

The creation of the WTO and the multilateralization of the trade agenda together with the advent of new regionalism dramatically reshaped the global political economy in the 1990s, transforming the North-South architecture in the process. How did these restructuring forces affect Latin America?

Regional integration initiatives span Latin America's history since independence though they have showed important variance in terms of their objectives and results. Interestingly, Latin America constitutes a vivid example of a region that experimented with what was known as old regionalism in the 1960s and 1970. Some years after, it would also be a protagonist of the explosion of new regionalism initiatives.

a) Import substitution industrialization (ISI): development and trade negotiations

For many years after the Second World War, the countries in the region followed an inward-looking development model centred on an import-substituting industrialization strategy through the direct intervention of the state in the economy. Though differences emerged across countries in terms of the precise and final implementation characteristics of this economic and political project, they all shared the same objective: the promotion of industrial development in order to achieve some degree of autonomy vis-à-vis the

international economy. The underpinnings of this development model were constituted by the ideas promoted by the Economic Commission for Latin America (ECLA)²⁰ philosophy, and the ideas of its first secretary-general, the economist Raúl Prebisch, on the one hand, and the dependency school, on the other.

Assuming that historically the price of manufactured goods had risen faster than the price of raw materials, creating thus a situation of deteriorating terms of trade as the basis of the “unequal exchange” between North and South, this model actively promoted industrialization based on import substitution. Later on, ECLA would propose regional integration as a key strategy in order to achieve larger markets and the accompanying economies of scale necessary for industrialization. This in turn would lead to lowering costs and becoming thus more competitive *vis-à-vis* the world. In other words, regional integration was seen as an effective policy tool to achieve development and to advance the interests and bargaining capacities of Latin American countries in trade negotiations with the developed world.

Based on these precepts and recommendations, during the 1960s and 1970s the region experienced a profound and diverse move toward regionalism²¹.

During these years, Latin American landscape was covered with integration schemes based on reciprocal preferential concessions, the coordination of industrial planning, and the imposition of severe restrictions on foreign capital²². Despite this boom, this first or old

²⁰ The ECLA was established by the United Nations in 1948 to contribute to the economic development of Latin America coordinating actions and reinforcing economic ties among countries and with other nations of the world. Later on, social development was added as another central aim of the organization. In 1984, the Commission’s work was broadened to include the Caribbean countries as well and its name was changed to the Economic Commission for Latin America and the Caribbean (ECLAC). For further details, see www.eclac.org, accessed 26 October 2009.

²¹ This move towards regionalism in Latin America was part of a much wider trend. Since the late 1950s, diverse regional initiatives flourished in an international scenario characterized by the idea of collective security and by the rationality of the Cold War. This old or first wave regionalism was marked by the establishment of a plethora of regional trade blocs in both Western Europe and the developing countries, which formed preferential trade agreements to reduce their economic and political dependence on advanced industrial countries. In the case of Europe, this included the creation of the European Coal and Steel Community (ECSC) and the European Economic Community (EEC) or ‘Common Market’ with the signature of the Treaty of Rome in 1957.

²² In 1960, the Latin America Free Trade Association (LAFTA, Asociación Latinoamericana de Libre Comercio) was established and by 1978, the 11 signatories – Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela – agreed on a restructuring of the bloc, creating thus the Latin America Integration Association (LAIA, Asociación Latinoamericana de Integración) as a successor to LAFTA. Its objective was to increase bilateral trade among the member countries and between these and third countries, through bilateral and multilateral agreements in order to promote not only regional free trade but also economic and social development. Besides, by the late 1960s, Bolivia, Chile, Colombia,

regionalist experience fell short of expectations and attempts to create regional trading areas followed two paths: they did not get off the ground or collapsed at an early stage.

A combination of factors contributed to this failure. First, designed to discourage imports and promote the development of national industries, many of these regional agreements were weighed down by considerable conflict over the distribution of the costs and benefits stemming from regional integration, the compensation of distributional losers, and the allocation of industries among members. Second, in a context highly shaped by protectionism, the problems derived from both the lack of complementarities and the existing asymmetries among the different countries in the region were accentuated in a scenario of macroeconomic instability. A third factor refers to the lack of agreement on the economic direction within the groupings, together with some specific events related to each integration scheme²³.

Because of these various factors, negotiations and liberalization schemes turned out to be increasingly slow and thorny. Some governments unilaterally interrupted and broke the terms of the commitments and agreements that had been established by common consent²⁴. Thus, the objectives of these agreements were only partially achieved. An international factor would deepen this state of crisis by the second half of the 1970s.

The oil crisis of 1973-1974 and the resulting economic stagnation worldwide had a negative impact on regional integration in developing countries in two ways [Mace & Bélanger 1999]. First, the recession in industrialized countries increased protectionism making access to their markets more difficult for developing countries to the extent that in 1981, the North-South dialogue ended²⁵. Second, the oil crisis created severe budget deficits for most

Ecuador, and Peru signed the Cartagena Agreement – Venezuela joined the group in 1973 and Chile left in 1976 – forming thus the Andean Group. Finally, in Central America, the General Treaty for Central American Integration – known as the Managua Treaty – was signed in 1960 by El Salvador, Guatemala, Honduras, and Nicaragua. Later on Costa Rica and Venezuela joined the Treaty. In 1966, Antigua, Barbados and British Guiana formed the Caribbean Free Trade Association (CARIFTA) as a limited free trade agreement, which was then superseded by the Caribbean Community and Common Market (CARICOM) when Barbados, Guyana, Jamaica, and Trinidad and Tobago joined the group.

²³ It is worth mentioning here, for example, Chile's withdrawal from the Andean Group and the refusal of LAFTA's larger member countries to adopt compensation mechanisms favorable to the less developed members of the integration process.

²⁴ Initiatives in Africa and other regions of the developing world followed a similar trajectory. Hence, old regionalism was mostly short-lived except for the European regional project, which since the ECSC moved steadily and continuously towards integration.

²⁵ In October 1981, a group of 22 world leaders – from 14 developing and eight developed countries – gathered at Cancun for two days of deliberations on the world economy. As some commentators argue, this

oil-importing developing countries that had to face huge increases in the price of oil products and derivatives. The resulting fiscal deficits required huge loans from international money markets, which in turn directly contributed to the debt crisis of the early 1980s. The economic downturn would then reinforce inward-looking attitudes, bringing integration to a halt.

While regional trade negotiations were directed at reducing or eliminating trade barriers, and trade was confined to the interchange of primary – except agricultural – and manufactured products, at the multilateral level trade negotiations within the GATT were based on reciprocal reductions of trade barriers. Nevertheless, in the context of inward-oriented industrialization strategies and nationalist approaches to development, negotiations at the GATT were not of interest for Latin American countries. Only a few countries were members of this multilateral institution²⁶, where they adopted a defensive or passive stance and thus, refraining from actively engaging in the exchange of reciprocal concessions. Moreover, and given the insignificance of their markets and the idea that it was not worth pressing for their opening, Latin American countries – and developing countries in general – had only minor obligations, being trade liberalization small and circumscribed to those sectors where their interests were more immediate [Tussie 2003b; Ventura-Dias 2004].

During this phase, trade negotiations – both at the regional and multilateral level – had a marginal impact on the domestic trade policy process. However, by the mid-1980s the environment of regional and world trade had changed considerably.

b) The 1990s: a “new” approach to regionalism and multilateralism

The 1980s and early 1990s were a period of intense reform in Latin America. By the early 1980s, driven by debt, financial crises, industrial failure, and collapsing state infrastructure and capacity, Latin American countries embarked on stabilization and structural adjustment programs. While stabilization programs were more committed to austerity, structural adjustment was more explicitly involved with deregulation, privatization and trade

event might have marked the point of inflection when the vigorous debates of the 1970s over a “New International Economic Order” (NIEO) gave way to unquestioning acquiescence in the globalization project.

²⁶ Only Brazil, Chile and Cuba were among the 23 countries that took part in the Geneva Round, where the GATT started its liberalization path. The other partners included Australia, Belgium, Burma, Canada, Ceylon, China, the Czechoslovak Republic, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, United Kingdom, and United States.

liberalization, including tariff reduction and the elimination of subsidies [Teichman 2001]. Once Latin America's conversion to liberal economics was almost total, regional and sub-regional initiatives received an enormous boost. Both domestic and external factors account for this shift in trade policy in the region.

At the domestic level, the discredit and failure of previous inwardly orientated development policies summed up with the questioning of economic models based on import substitution, high tariffs, and a large role for the state, the recognition of the need for effective stabilization, and the fiscal, political, and institutional crises of the state. From an international perspective, two elements stood out. First, direct external pressures from both states and international financial institutions and the increasing tendency to make economic assistance conditional upon moves towards economic and political liberalization [Fawcett & Hurrell 1995]. Even if international institutions did not "impose" reform policies, the interaction of external pressures and actors with domestic policy elites was important in driving the reform process forward and in keeping it on track [Teichman 2001]. As argued by Niño [2004] the dissuasive and legitimizing role of ideas and the debate promoted by international organizations together with American universities account for trade liberalization in Latin America in the 1990s. Second, in a context of increasing globalization, liberalization, and competition for investments, regionalism processes appeared as the most viable option for developing states in order to participate and integrate effectively within the international economic system. In contrast to the old regionalist initiatives – which were very much characterized by a vocation for protection and state intervention – within this new paradigm, regionalism is being used as an effective policy tool aimed at supporting structural reforms, making economies more open, more market based, and more competitive.

In sum, the end of policies favouring import substitution and the opening up of the economies that had remained closed for almost 50 years, led to a new climate as the region followed the guidance of the market-oriented reforms, which became known as the Washington Consensus. In turn, the increased adoption of varieties of domestic neoliberal policies and the promotion of export growth strategies led to increased economic regionalization [Breslin *et al.* 2002b].

Hence, the resurgence of integration and intraregional relations in the 1990s has taken place in an entirely new economic and political framework that promoted open and

competitive private market-based economies but the establishment of a democratic institutional setting as well. Within this more general framework of policy reform, North-South agreements appeared to be a rational policy choice for developing countries. On the one hand, they allowed the possibility of winning stable access to Northern markets in compensation for the adoption of structural reform programs. Regional projects could give market access which at least the South wished for but was never able to get through multilateralism [Tussie 2003c]. On the other hand, by these agreements, Latin American governments signalled the rationality and predictability of their policies and their long-term commitment to remain on track with this reform process²⁷ [Wyatt-Walter 1995; Ethier 1998]. Moreover, in a global context wherein bilateral cooperation and financial assistance were ever scarcer, developing countries sought not only to expand markets but also to attract foreign direct investment (FDI), which was then seen as a key to success. Credibility, stability, and predictability appeared as key elements to attract FDI.

Clearly, the world of the 1950s and 1960s where first regionalism came to be was quite different from that of the 1980s and 1990s. While old regionalist initiatives established and justified the existence of closed and protectionist blocs as a way of managing economic policy and development within the bloc, these new initiatives, on the contrary, imply the creation of trade and investment frameworks that do not discriminate against third parties, which in turn makes them compatible with multilateralism. Integration and regionalism appear to be the most viable options in order to participate and to incorporate effectively in the international economic system²⁸.

As countries moved towards regionalism, the most important innovation at the international level was the creation of the WTO at the end of the long-lasting UR.

Since the Tokyo Round, there had been an increasing legalization of trade policy and a move from trade liberalization to trade regulation [Ostry 1997]. The nature of trade had

²⁷ Grugel and Hout [1999] argue that this type of North-South regionalism can be understood as a means by which developing countries might consciously increase their dependence on investment and markets in developed cores, while at the same time enhancing their regional voice in the wider global economic dialogue.

²⁸ The literature has extensively analyzed the relationship between multilateralism and regionalism, being the debate focused on whether regional trade agreements are building or stumbling blocks for multilateralism. This debate has confronted those who assume preferential FTAs as being harmful to the international trade system, with those who argue that these agreements can promote global trade. Clearly, the debate is far from settled. However, by and large, major regional trade agreements are consistent with WTO rules. Moreover, they do not defer to rights under the multilateral organization, but promote the deepening of economic integration by moving beyond WTO rules, giving way thus to “WTO-plus” agreements.

changed dramatically: flows of services, technology, capital, and knowledge became equal or more important than those of goods while the inclusion of new issues – namely, trade in services and trade-related investment measures – with significant regulatory components were included in the new trade agenda [Abugattas Majluf & Stephenson 2003; Chudnovsky & López 2003]. The end of the UR institutionalized these changes as shown in a deeper and enlarged trade agenda, which now included the protection of intellectual property rights, new agreements on technical barriers to trade and on sanitary and phytosanitary measures, among others. WTO obligations on regulatory standards were also expanded, extending thus the policy convergence requirements while a more judicialized dispute settlement mechanism was created.

The conclusion of the UR had a notable impact on developing countries. The principle of non-discrimination and reciprocity in trade concessions was extended to all members, regardless of their economic and institutional development. Preferential treatment was just provided for countries defined as least-developing countries so that Latin American countries – as middle-income developing countries – lost their preferential condition. Paradoxically, membership increased in number and heterogeneity. Membership is now almost universal while the number of participating developing countries has almost tripled to the extent that they account for approximately 90% of its membership. However, decisions are taken by consensus and within this process, the power of the most advanced industrialized countries that concentrate about 60% of world trade and 10 to 17 votes within the WTO is not ignored [Ventura-Dias 2004]. In other words, being member of the WTO and participating in the decisions does not automatically translate into leverage and influence [Tussie & Lengyel 2002].

From a regional point of view, by the time the UR was concluded, several Latin American countries had successfully transformed into flourishing manufacturing exporters even in sectors in which they lacked comparative advantage. In addition and as already noted, the region was already embarked in a wide process of stabilization and structural adjustment, where the implementation of trade liberalization was one of the areas most advanced from 1995 to 1999 [Lora 2000]. Moreover, these countries were involved in a wave of free trade and integration agreements, including the establishment of FTAs, preferential trade

agreements, customs unions, and common markets²⁹. Initially, these various initiatives were aimed at building and rebuilding links among Latin American countries, but as the integration wave advanced, these South-South projects were accompanied by asymmetric trade processes that linked countries in the region with industrialized partners. This shift was signalled by the North-American Free Trade Agreement (NAFTA), which would activate several North-South projects. The two most prompt responses have not led to concrete results until now, namely, the Free Trade Area of the Americas (FTAA) and the negotiation process between the Common Market of the South (MERCOSUR, Mercado Común del Sur) and the EU. Contrariwise, later asymmetric initiatives have followed a more productive path, as in the case of the bilateral agreements that Chile signed with the EU and the United States, and the one Mexico established with the EU, among others. Since the early 2000s, the United States had concluded several free trade agreements with different Central American countries.

Thus, Latin American countries have started to play simultaneous and nested games at the regional and multilateral levels, leading to the conformation of a spaghetti bowl of agreements. Given the increasing complexity and variation of the agendas at stake together with their simultaneity, we could expect these trade dynamics to impact on domestic trade politics in ways not experienced during the previous model of development and integration into the regional and international economic system.

²⁹ At the level of practice, this move towards “open or new regionalism” is clearly illustrated by the setting up and the relaunching of schemes for regional integration throughout North, Central, and South America and the Caribbean. More than 25 regional arrangements were launched, ranging from bilateral and plurilateral free trade areas to customs unions with pretensions of becoming a common market. These initiatives include the revival of the Central American Common Market, the CARICOM, and the Andean Pact, together with an increasing number of other FTAs: Chile-Mexico (1991); Colombia-Venezuela (1992); Mexico, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (1992); the Group of the Three – Colombia, Mexico Venezuela – and Chile and Venezuela in 1993. Within the Southern Cone, another important initiative is that undertaken by Argentina, Brazil, Paraguay, and Uruguay in 1991 and which was originally intended to form a common market: the MERCOSUR. Later on, this intraregional activity would be complemented with various North-South initiatives led by the United States and the EU.

2.4. Changing configurations of trade politics in Latin America

In the early 1990s, trade reform was a relatively new issue on the public agenda. Since then, it has become a priority for Latin American countries, which now face the challenge of dealing with multiple and simultaneous negotiation scenarios.

In this sense, our brief historical overview reveals that regionalism has been an enduring feature of Latin American political economy. However, its pervasiveness and cast have changed over time, while the international context in which it has flourished has also been transformed dramatically. The implementation of unilateral trade reforms together with the resurgence of the regional empirical activity and the increasing multilateralization of world trade have given way to an intense debate on the impact of regional and multilateral trade negotiations on the domestic arena. How has the literature analyzed these developments?

Some years ago, the incipient literature on the impact of trade negotiations on the domestic level contrasted with the extensive literature on the market reform process. Analyses have focused on privatization, fiscal and labour reform policies [Haggard & Kaufman 1992; Geddes 1994; Frieden *et al.* 2000; Murillo 2001; Teichman 2001; Schamis 2002; Weyland 2002]. In terms of the process of trade liberalization and trade reform, there is a growing literature now [Edwards 1995]. Here, and in order to account for the dilemmas of adopting and implementing trade reforms in Latin American countries, studies have identified the impact of economic crises, changes in domestic institutions and the move towards more open and democratic polities, and the influence of international organizations, namely the IMF and the WB, as key variables. On either a comparative basis or following a case study pattern, the debate has mainly revolved around these hypotheses.

Since the late 1990s, the study and analysis of trade politics have been raising to prominence in a way that had not been experienced before. Accordingly, while the literature dealing with the specificities of trade politics during the import substitution industrialization model has remained rather minimal, on the contrary, the transformations, challenges and effects brought about by regional and multilateral trade negotiations in the context of deep trade reforms enacted during the 1980s and 1990s has captured the attention of a growing number of scholars. In this sense, the literature has identified a clear

turning point in terms of the impact of trade negotiations on the domestic arena during this period.

Within this increasing literature, we have identified two main strands, which are inextricably connected. A first group of studies builds on the new regionalism literature and attempts to account for the differences between the regional initiatives that flourished during the first wave of regionalism and those that emerged mainly in the 1990s. Though not breaking with this debate, a second collection of analyses have revolved around the domestic impact of these regional and multilateral liberalization processes and the factors – domestic and international – that account for these transformations.

a) From old to new regionalism governance

When studying the impact of regional integration projects, most of the literature is based on the EU. Clearly, the EU has traditionally and maybe *naturally* monopolized the studies on regionalism; either as a ground from which theories and approaches derived, or as a general phenomenon scholars wanted to replicate. Nevertheless, EU patterns seem to be insufficient to account for the impact of regional trade negotiations on domestic governance in Latin America. Differences between old and new regionalism, being its sharp intergovernmental character one of the most important differences, but also the particular evolution of the EU and its increasing complexity in terms of the governance mechanisms through which decisions are made in different policy areas³⁰, have rendered comparability rather inadequate. Moreover, when analyzing regional projects in other areas of the globe, juxtaposing these analyses against the EU benchmark of institutionalization may blur the picture. Certainly, the degree of EU style institutionalization cannot be

³⁰ In contrast to the overall idea that the EU has created a unique and distinctive type of policy process under the traditional Community procedures – “communitarization” – some authors argue that there is not a unique EU policy model, but several different modes instead. In other words, the EU policy-making process and governance cannot be assimilated to a single template, but instead five main variants of the policy process can be identified: 1. a distinctive Community method; 2. the EU regulatory model; 3. multi-level governance; 4. policy coordination and benchmarking; 5. intensive transgovernmentalism [Wallace 2000]. These variants have to do with the fact that the EU has encompassed a wide array of policy domains since its inception, and augmented them over the decades. Moreover, European institutions and national policy-makers have different characteristics, exhibit different patterns of behavior, and produce different kinds of outcome, depending on the particular policy domain and the period. However, and even if there is no single mode of policy-making within the European bloc, specialists emphasize the pervasive effect that EU supranational institutions generate in the domestic policy-making.

explained regardless of the temporal disjuncture or the different phases of the integration processes.

This was one of the arguments put forward by the new regionalism approach, which emerged as part of the second wave of theories. These were intended to capture the new and more diverse regional empirical reality in the 1980s while also trying to complement and sometimes compete with mainstream theories – namely, EU studies and integration theory on the basis that these could not account fully for this new phenomenon. Even if different approaches have thus emerged to account for this new regional activity³¹, these should not be taken as competing frameworks but rather as complementary accounts and explanations of new regionalism [Marchand *et al.* 1999] with a special focus on the developing world [Söderbaum 2005].

Three main tenets of new regionalism are worth mentioning in this study. First, scholars within this framework have assumed a critical engagement with international relations theory and IPE literature³² and have avoided the EU orthodox integration theory mostly based on comparative state-based tools [Warleigh 2004]. Second, they have addressed the importance of civil society actors [Marchand *et al.* 1999; Breslin *et al.* 2002a; Breslin & Higgot 2003; Warleigh 2004], an under researched field in the study of regionalism [Hettne & Söderbaum 2000]. In other words, within new regionalism it is increasingly acknowledged that regional integration processes involve not only states but also continuing linkages among state and non-state actors – namely, firms and civil society actors. Finally, this literature explores the links between levels – the international, the regional, and the domestic – reflecting thus a marked departure from much first wave work

³¹ These various analytical frameworks include the world order approach [Gamble & Payne 1996]; the New Regionalism Approach [Hettne & Söderbaum 1998]; the humane global governance approach [Falk 1995]; and the new regionalism or post-modern approach [Marchand *et al.* 1999]. This theoretical plurality reflects the existing variety among regional projects, which assume diverse shapes in different parts of the world. Plurality is true both in terms of the concrete projects and the theoretical approaches developed to apprehend them. In fact, new regionalism scholars do not represent a single school of thought; neither do they share a common conceptual approach or research design [Söderbaum 2003].

³² What we find today is that even if old and new regionalism theories share a common interest, *i.e.* regionalism, they have evolved separately. Scholars and academics devoted to EU studies and the new regionalism have locked themselves in their own theoretical frameworks. In this context, old and new regionalisms appear to be two contending approaches. However, the analysis of regionalism can no longer be confined to Europe; neither can new regionalism ignore previous theoretical work. Indeed, this distinction is being increasingly questioned, while the need for better comparative research into regional integration calls for interdisciplinarity and a deep dialogue between different theoretical approaches [Bianculli 2006]. The need to overcome this artificial divide and promote scholarly cooperation between both EU and new regionalism scholars has been actively contended. See *inter alia* Telò [2001], Breslin *et al.* [2002b], Laursen [2003], Söderbaum & Shaw [2003], and Warleigh [2004].

[Fawcett & Hurrell 1995; Breslin *et al.* 2002a; Warleigh 2004]. Most simply put, the new regionalism approach takes this new trend of regionalism as a complex process of transformation, which results from the interaction of both state and non-state actors, and of national, regional, and global level forces.

Acknowledging these significant divergences, various studies framed within the new regionalism literature have stressed the differences with old regionalism governance in an attempt to contest the dominance of the EU in regional studies [Botto 2004a; Bianculli 2006]. In addition and by focusing on the regional level, scholars have also delved into the analysis of the variation observed in the governance structures promoted by different new regionalism initiatives [Grugel 2004b; Bianculli 2005; Grugel 2006].

Within the new regionalism framework, Grugel [2004] has analyzed the EU and United States policies towards governance in South America, with a particular focus on MERCOSUR, and has found that the strategies both actors promote in their regional initiatives towards the region evidence important differences, even if they share some similarities in terms of economic governance. More recently, Botto & Bianculli [2009a] have argued that in spite of these initial differences between the governance patterns promoted by the EU and the United States, the dilution of both negotiations processes can be more readily explained by the increasing procedural and governance demands and criteria imposed by the Northern partners.

Based on a similar comparative exercise, this time focused on symmetric and asymmetric initiatives, Grugel [2006] argues that the FTAA and Summit of the Americas process and MERCOSUR have promoted different regional frames of governance. In turn, these two processes have had a differential impact in the way transnational actors define their interests and strategies both at the domestic and regional level. In a similar comparative vein, Botto [2004b] has analysed the particular ways in which MERCOSUR, NAFTA, and FTAA have promoted and redefined traditional forms of collective action at the regional level. More recently, Jordana & Levi Faur [2007] have explored the emergence and growth of professional networks of public officials by looking into the experience of the FTAA. These networks, an interesting and novel by-product of trade negotiations, bridge both the domains of regulators and trade negotiators, on the one hand, and the domestic and regional arenas, on the other. From a case study perspective, Bull [2008] has brightly depicted the evolution of a policy network including both private and public actors in

Chile. Interestingly, this network is not only based on loyalty and trust across the actors and on a basic consensus about the desirability of free trade agreements, but also on expertise, which, as we have already argued, is a key ingredient for effectively participating in trade negotiations.

Studies have also found that trade negotiations in Latin America have promoted different embryonic forms of regulation. Both from a regional and case study perspective, Bull [2005; 2007] has argued that even if the main regulatory authority is still vested in nation-states, regional trade negotiations have affected the relationship between state and non-state actors and in turn, have given way to four new forms of international and transnational regulation.

These findings reaffirm the idea that regionalism is not a mere reflection of domestic processes. In fact, understanding regional processes requires looking into processes of regionalization³³ and their relationships with regionalism and domestic political economy [Phillips 2003].

b) Trade politics and domestic governance

In order to deepen our understanding of the relationship between regional and multilateral trade interactions and domestic governance, scholars have advanced various frameworks and analytical perspectives. Together with their focus on domestic factors – namely, actors, interests, and institutions – scholars have also delved into the interrelation across levels.

• Actors and interests

In terms of the state, scholars have shown that the nature of trade policy today undermines the notion of the state as a unitary actor, pursuing a clear and identifiable “national

³³ Authors make a crucial differentiation between both regionalism and regionalization. Most theorists define regionalism as cooperation projects resulting from intergovernmental dialogues and treaties, whereas regionalization is characterized as the process of integration derived from the interaction of markets, trade and investment flows [Breslin *et al.* 2002a]. However, for example, Payne and Gamble [1996] define regionalism as a state-led project, whereas regionalization is seen mainly as a societal and a non-state process. Other scholars such as Marchand *et al.* [1999] argue that even if regionalism is a political project, this is not necessarily state-led since within each regional project there are several competing actors. Drawing on Breslin and Higgot, we can conclude that there is a difference “*between the de facto, market driven nature of the evolution of regionalization, and the de jure, state-driven nature of regionalism*” [2003:167].

interest”. Based on the comparative study of the Argentine and Chilean case, Botto concludes that this national interest seemed to be clearer and easier to define before when mainly bureaucrats and technocrats decided “*which sector and local industries were going to be considered as representative of the national interest*” [2004a:3]. Since the 1990s, the growing breadth and complexity of the trade agenda has shifted the importance from sector to horizontal policies and disciplines [Bouzas 2004]. Moreover, these more complex and diversified issues have increased the need for more effective coordination among public agencies and this has been evidenced both when dealing with regional and multilateral trade negotiations [Jordana & Ramió 2003; Tussie 2003a; Botto 2004a; b; Bouzas 2004; Botto 2007].

The literature has convincingly showed that both regional and multilateral trade negotiations remain dominated by state actors, and this seems even more evident in the case of Latin America. However, these negotiations have increasingly captured the attention of larger constituencies, whose interests exceed the traditional cleavage between free traders and protectionists.

Even in the case of business sectors – a relatively more usual actor in trade politics – scholars have also recognized that their interests are now more diverse and heterogeneous. Trade policy has traditionally engendered protests by those interest groups affected by liberalization, leading state actors to grant protection or compensations to the losers in exchange for trade liberalization. Contrariwise, today this interaction seems to respond to more complex and diverse patterns of business interests and, consequently, their relations with the state include other requests that go beyond the traditional demand for protection or liberalization. When looking into trade negotiations in Latin America, the literature has analyzed to what extent these processes have led to convergent interests, creating thus opportunities for coalitions at various levels and across sectors [Motta Veiga 2003; Narlikar & Woods 2003; Paiva Abreu 2003]. In terms of the relationship between state and business actors, Woll and Artigas [2007] have analyzed the particular patterns of government-business relations brought about by the new regulatory agenda in global trade. Based on empirical data of three countries, being one of them Brazil, they have observed that business actors do not only exert pressures on their governments. On the contrary, the ways in which they relate to state actors are now more multifaceted, including various forms of working relationships based, just as was shown in the case of Chile by Bull [2008],

on expertise, learning, and information exchange. Still, these changes show variation across countries [Lengyel & Ventura-Dias 2004].

The preferences of other non-state actors have remained relatively neglected until recently. As stakes move from the reciprocal reduction of tariff barriers to embrace non-tariff barriers and domestic issues with an impact on trade, together with trade-related domains, trade negotiations may have important effects on the domestic level. This impact refers to the fact that, just like in any trade negotiation, these regional agreements have implications for distributive policies; there are winners and losers. Moreover, given that this new trade agenda involves matters that impinge on domestic regulatory and legal systems embedded in the institutional infrastructure of the economy – namely, environment or labour standards, competition or investment policies – they impact on the political incentive structure not only of business sectors but of the so-called “new actors” as well. These include labour unions, academia, and civil society organizations (CSOs), whose interests have to do less with the *“division of the pie than the recipe for making it”* [Ostry 2002: ii]. The deeper and wider agenda has activated these new actors, whose demands are more heterogeneous and difficult to apprehend within a liberalization-protection dyad. In spite of this diversity, a common claim underlies their different agendas: more transparency and participation in the decisions of trade policy in different negotiation forums, in an attempt to counterbalance the weight of business sectors. Woll and Artigas [2007] have argued this for their comparative study that has included Brazil within the WTO, while at the regional level there is a huge literature dealing with these changes within Latin America [Korseniewicz & Smith 2001; Quijano 2002; Botto 2003; Tussie & Botto 2003; Grugel 2004a; Newell & Tussie 2006, just to mention a few].

In terms of their strategies towards state actors, and just as in the case of business interests, civil society actors have developed different strategies according to their particular stance regarding trade negotiations. While conformers are sympathetic to trade liberalization processes, reformers do support liberal trade rules but campaign for changes to correct what they understand as flaws, leaving underlying social structures intact. On the contrary, radicals aim to transform the social order. Based on this categorization, scholars have looked into the regional trade negotiations and observed that while conformers and reformers will adopt insider engagement strategies, radical groups will pursue a more principled *outsider* strategy [Korseniewicz & Smith 2001; Price 2003]. In regard to the

interaction between state and civil society actors, insider groups will privilege collaboration with state actors to promote policy change, whereas outsiders will focus on contestation and opposition. When it comes to trade negotiations, insiders would hence seek to enter negotiations by using existing policy-making spaces while outsiders would tend to organize mass opposition [Korseniewicz & Smith 2001; Tussie & Botto 2003; Grugel 2006]. Being these “ideal types”, the actual strategies implemented by civil society actors could exceed this rather schematic or ideal categorization.

The literature has also given increasing attention to the connection between trade policy and knowledge. This academic interest in the relationship between knowledge and public policy is certainly not new. Nevertheless, it has shown an exponential increase during the last 25 years, which in turn has been exacerbated by the current dynamics of trade negotiations. Within this multi-layered process where countries are involved in numerous and simultaneous negotiation scenarios, the demand for expertise is constant: the *“public and the private sectors have to face problems and challenges on an on-going basis due to the flurry of negotiating fronts opened”* [Aninat & Botto 2005:35]. Interestingly, while in other areas of structural reform the window of opportunity is restricted to the time of crisis; within the trade policy domain this window remains open.

Building on this notion, several studies have delved into the ways in which the participation of academia and experts in trade policy influences the domestic processes of governance. Based on an empirical research of the relation between state actors and academia in Chile, Aninat & Botto have concluded that the participation of academia did not lead to an increasing public debate on trade. Rather it was intended to legitimize and facilitate consensus on decisions already made by the government [Aninat & Botto 2005:29].

More recently, two edited volumes have deepened our understanding of this complex relation, which shows variety across countries. The book edited by Tussie [2009] includes various case studies around the world, being one of them devoted to Argentina. In effect, Botto & Bianculli [2009b] look into two specific episodes of trade policy change in Argentina to see to what extent the relation between government and academia has had a positive or negative effect on domestic governance. The role of academic research in trade negotiations has also been the focus of a recent volume edited by Botto [2009]. While looking into different countries in Latin America, these various studies were intended to grasp the nexus between research and trade policy from different perspectives. While some

authors focused on the use of knowledge at the regional level and assumed a comparative perspective [Botto 2009b; Tussie & Heidrich 2009; Ventura 2009], others have examined specific national case studies; namely, Mexico and Uruguay [Torre 2009; Zurbriggen 2009]. A third group of studies has explored to what extent the production and use of knowledge has varied according to the particular sectoral issue at stake [Botto & Peixoto 2009; Botto & Quiliconi 2009]. These studies have shown the growing relevance of experts and academics in trade policy and regional and international negotiations, and have stressed the instrumental and supportive role of academic knowledge and expertise to policy decisions and as mediator among domestic interests.

- **Institutions and decision-making processes**

When it comes to institutions and decision-making processes, a first group of studies has dealt with the impact of regional trade negotiations in the domestic trade policymaking process. In this regard, the literature has highlighted the differences between decision-making processes during the import substitution model and the changes brought about by trade liberalization processes.

During the post-war period, when Latin American followed the ISI model³⁴, the trade policymaking process was characterized as hermetic and elitist, based on delegation and executive authority. This policy-making approach was consistent with the ISI paradigm within which trade policy was predominantly inward looking [Bouzas 2004]. During the 1960s and 1970s, industrialization was primarily national in character and strategies were articulated at the national level [Phillips 2004b]. As we have already mentioned, regional projects and multilateral negotiations did not have a significant impact on domestic trade politics. The old trade agenda was focused on trade liberalization and circumscribed to trade in goods, being tariffs the main protection instrument. Within this context, the domestic process of trade policy formulation implied the negotiation of compensations between industrial lobbies or “*distributional coalitions*” composed of import-competing actors seeking protection against foreign competition and export sectors pushing for the opening

³⁴ Even if experiments with this model were found in numerous countries in the region, the implementation and outcomes of this strategy were far from homogenous across the region. In fact, there were important differences across countries arising from the particular patterns of state and state-society relations that conditioned and were conditioned by these industrialization strategies [Phillips 2004b:43-53].

of external markets [Ostry 2002]. Within this distribution coalition scheme, some authors have included “consumers” as a third actor in trade politics [Ventura-Dias 2004].

Trade policy decisions together with regional and international negotiations were in the hands of a small techno-bureaucracy and even if there was contact with non-state actors, these mechanisms were rather informal and opaque. Moreover, non-state actors included mainly business representatives while larger groups were not actively engaged in the policy process [Bouzas 2004]. Therefore, the administration and implementation of policy instruments and incentives either to promote exports or to protect vulnerable sectors were rather discretionary and decisions regarding which sectors would be considered as representative of the national interest – and, thus, protected from trade liberalization – were made by bureaucrats and technocrats [Botto 2003; 2004a]. Participation was not only limited to business actors, but to the national level as well. In other words, and following this inward-looking approach, the interaction between state and business actors was confined to the national level while the definition of the national position either at regional and multilateral negotiations were left in the hands of public officials.

By the 1990s, with the emergence and later consolidation of democratic regimes, the implementation of extensive reform processes, and the deepening and widening of trade negotiations, these decision-making procedures and mechanisms turned out to be rather obsolete and inadequate. Governments had to deal with overlapping and simultaneous negotiation arenas, which required increasing expertise and coordination [Tussie 2003a; Botto 2004a; Bouzas 2004]. As negotiations evolved, these have exerted changes in the domestic trade policy-making process and all countries have become mutually “*contaminated procedurally*” [Botto 2004a]. In other words, there has been a slow and gradual reorganization of the domestic process for consultation and negotiation but the direction and shape of the changes introduced have been uneven across countries. Thus, there is still considerable diversity in the trade policy process, the political and institutional mechanisms established, but also in the ways through which the different actors define their interests and strategies and relate to each other.

Apart from signalling the strong variation in decision-making processes, the literature has also argued that most of the institutional elements portrayed by the literature based on industrialized countries do not directly apply to Latin America. Contrary to the experience in the developed world, in this region, the executive branch plays a key role in the

conduction of trade policy while the legislative power is not highly involved in this policy area [Robin 2008].

In order to apprehend the particular characteristics of trade institutions in the region but also the national variation observed, Jordana & Ramió [2002; 2003] have conducted a comparative study across 12 countries. Within an institutionalist perspective, these authors have highlighted the role of institutional rules and structures in the formulation of foreign trade policy at the national level in the context of globalization and the increasing liberalization carried out within Latin American countries. Rather than explaining trade policy outputs, the authors focus on how institutions shape the trade policy process; namely the ways in which particular institutions contribute to the maintenance or overcoming of policy problems.

- **The interaction between the domestic and the international**

When accounting for these differences, scholars have provided different explanatory factors.

From a two-level or two-step framework [Putnam 1988; Legro & Moravcsik 1999], some analyses have delved into the interconnection among domains with a focus on the explanation of the first level. Studies have hence delved into the considerable variance observed in the domestic trade policymaking process across countries [Inter-American Development Bank 2002]. In a cross-country study across Latin America, including MERCOSUR countries together with Chile and Mexico, several scholars have deepened the understanding of domestic determinants of trade policy, underlining the weight of institutional and structural factors [Bouzas 2006b]. Others, however, have resorted to variables related to the state, on the one hand, and to business actors, on the other [Robin 2008].

By contrast, Sáez [2005b] has argued that no single approach can account for the variety observed in the trade policy-making process across Latin America. Hence, he proposes a combination or mixture of schemes to be applied depending on the actors involved at the international level, the depth of the country's democratic tradition, and the level of organization and complexity of civil society.

From an international perspective, and building on the type of negotiations countries are engaged in, asymmetric trade negotiations – that is to say those involving Latin American countries with developed industrialized partners – have been portrayed as promoting greater transformations. These have included not only the development and implementation of changes in decision-making procedures but also regarding their openness towards non-state participation – namely, trade unions and CSOs [Tussie & Botto 2003]. However, when looking into particular countries Botto [2004a; 2007] finds that all countries have become procedurally contaminated. In effect, when looking into Argentina, Brazil, and Chile, she finds that regional liberalization processes have exerted changes in national policy-making process, though the shape and direction of these transformations vary from country to country.

In addition, and this brings us back to domestic factors, many of the countries embracing trade liberalization during the 1990s were also undergoing a process of democratization, which had a broad impact on decision-making processes, including those in the trade policy domain [Milner 1999; Tussie *et al.* 2004]. Nevertheless, it is still to be seen to what extent these transformations had an impact on the ways in which interests are defined and aggregated. Moreover, previous studies have shown that the policy-making process presents some elements of uncertainty which result both from the lack of continuity of policies and politics in a extremely volatile political context and the mobility of state and non-state actors [Motta Veiga & Ventura-Dias 2004]. Preferences are not stable [Ventura-Dias 2004]. In this sense, the literature has argued that when it comes to actors and interests involved in trade negotiations these are not only more instable, but more diverse and, consequently, increasingly difficult to predict.

This is the basic argument underlying the book edited by Aggarwal, Espach, & Tulchin [2004]. Based on the enormous diversity of trade agreements Latin American countries have pursued, the different authors in the volume plead that this rising divergence is explained by the countries' perceptions and economic and political objectives. In turn, these are related to particular domestic features, namely, the economic profile of the country, the trade policy decision-making process, and the constraints and opportunities faced at the domestic and international levels.

2.5. Trade governance in Latin America

The previous sections travelled across the dense and vast literature on trade politics to focus then on the empirical analysis and transformations that Latin America has undergone during the last 25 years. Thus, we intended to show to what extent the more traditional approaches fail to provide an effective account of contemporary trade politics in the region.

From an empirical point of view, IPE has privileged a set of assumptions that result from the experience of advanced industrialized economies and the particular context of early industrialization [Phillips 2005]. In other words, IPE's theoretical frameworks and empirical research have maintained a strong focus on the developed world. Rather than extending this overview on a wide range of cases, the discipline has tended to elaborate generalizations from these particular cases to the whole universe [O'Brien 2005]. Therefore, the study and analysis of the political economy of the non-advanced industrialized world has been rather neglected, leaving this research agenda for those scholars associated with area studies or comparative analyses.

Without succumbing to the idea that developing areas require separate analysis, unique theoretical constructs, and distinct analytical strategies given their "*exceptionalism*", scholars have contended that when analyzing particular countries or regions it is crucial to pay closer attention to their position and insertion in the wider global political economy, while examining and crosschecking their various interrelations. Attention should also be given to the historical context [Fawcett & Hurrell 1995; Payne & Gamble 1996; O'Brien 2005; Phillips 2005a].

Certainly, and as our review has shown, the new regionalism literature has acknowledged this by assuming a wider perspective regarding the actors, the levels where they interact, and the continuing linkages among them, privileging the evolution of regionalisms in developing areas of the world. It is not surprising then, that this approach has found a place in Latin American scholarship, which also strived to deploy different elements and frameworks to increase their analytical capacity and be able thus to evaluate and assess the strategies and dynamics of trade politics in the region.

Nevertheless, we find that this literature has not fully developed the impact that trade negotiations have on the domestic governance by systematically comparing across different

trade agendas: regional (asymmetric and symmetric) and multilateral. In sum, taking into account that the trade agenda is far more complex and policy challenges have changed, showing variation across specific trade negotiations as well, we argue these developments in trade politics demand further analysis. Even if some comparative conclusions can be inferred from the existing case studies, to our knowledge the literature has not provided a systematic analysis based upon a shared frame of reference to study the variation in the processes of interest definition and articulation across symmetric, asymmetric, and multilateral trade negotiations.

This is where our study is intended to contribute and in doing so, it proposes a more detailed analytical model to shed some light into the domestic process through which actors define their interests and strategies in the context of trade negotiations in Latin America. Clearly, there is a growing literature on trade politics, but most of the variation regarding the activation and organization of interests across different trade negotiations and across countries has not been studied in an exhaustive and extensive manner.

Moreover, in a context of increased globalization, national, regional, or global political economy cannot be understood in isolation from each other, by focusing on one level of analysis as these are interlinked and interrelated in ways that render impossible, and even unfruitful, their separate analysis as distinct levels. This calls for a reorganization of IPE – both on empirical and theoretical grounds – to account for the realities and pressing issues in the political economy of other regions of the world, as in the case of Latin America [Phillips 2005].

To sum up, trade policy choices are the result of complex processes involving not only states and an increasingly wide range of non-state actors, but international and regional factors as well. This study is intended to contribute to the trade politics literature by offering a framework based on the concept of governance taken as a continuous process and the dynamic result of the interaction and coordination among state and non-state actors [Hirst 2000; Pierre 2000c].

The concept of governance serves three main objectives. First, the concept captures the central role of the state in trade policy as it sets the rules and provides coordination mechanisms, and operates as the last locus of power in the international scenario, while at the same time it acknowledges the increasing relevance of a wide range of non-state actors. Second, the notion of governance recognizes that governing takes place in a different

context given the social, political, and economic transformations at the international level. Thus, it is a useful analytical device to apprehend how state and non-state actors define their interests and articulate in the context of particular trade agendas. In this sense, national, regional, and international are not necessarily competing principles but complementary ones [Weiss 1999]. Finally, the notion of governance offers fertile ground for the reengagement between comparative politics and IPE as it brings together the domestic and the international. In this distinction between domestic and international transformations and challenges, this study explores the pressures derived from the deepening and expansion of the trade agenda in different negotiations, which elicit particular institutional arrangements and patterns of public-private articulation at the domestic level.

CHAPTER 3

TRADE GOVERNANCE AND PUBLIC-PRIVATE ARTICULATIONS

The literature on governance is vast and heterogeneous. Nevertheless, some common elements present across the recent academic debates offer an interesting departure line for the definition of our dependent variable: domestic trade governance.

We take trade governance as a relational concept, which serves as the basis for the analytical framework used for the empirical analysis. Our analytical framework is precisely intended to look into this relational or two-way dynamics: the articulations promoted by the state towards society, and from society to the state, a phenomenon the literature has analyzed to some extent. Yet, our empirical analysis is intended to go beyond these previous approaches by including an intervening element: the political opportunity structure that affects the societal demand [Kitschelt 1986; Kriesi *et al.* 1992].

3.1. From trade governance to public-private articulations

The idea of governance is closely related to the process of globalization at the international level and the path to more complex societies at the domestic level. Both transformations presuppose new challenges for governments, who find it increasingly difficult to deal effectively with these complex realities just relying on their own resources. They try thus to enhance their capacity by fusing their capabilities with those of societal actors. Based on this assumption, state capabilities are defined by its ability to communicate and interrelate with different actors and resources in particular policy areas [Jayasuriya 2004]. However, at the same time, in more complex societies, a larger and more heterogeneous number of non-state actors demands spaces to be informed and a place in the decision-making process related to those public policy sphere of their interest.

The notion of governance refers thus to a continuous and dynamic process resulting from the interaction and coordination among the state and various non-state actors through different mechanisms and procedures, both formal and informal. In this sense, governance

can be described as the “public-private articulations” that emerge in a particular policy field.

Still, and given that governance or public-private articulation patterns vary not only across time but across policy areas as well, to grasp the ways in which actors interact and coordinate, it is crucial to focus on a particular policy area.

Taken to the trade policy field, the concept of governance entails unravelling the specific constellation of interests and the strategies developed by state and non-state actors in the context of particular trade negotiations.

Trade policy formulation is the result of a series of institutionalized processes and mechanisms, but also an outcome of the particular political dynamics promoted at the domestic level by the launching of particular trade agendas. Therefore, the examination of these institutionalized processes and mechanisms is an important element and certainly, the starting point. Nevertheless, the analysis should also delve into the processes of interest definition and articulation among actors, whose interests and incentives but also their inclusion and influence can vary according to the trade agenda at stake. Based on this premise, the concept of public-private articulation is intended to go beyond the institutional dimension and capture the complex relations established between state and society in the context of the different trade negotiations at play.

The idea of public-private articulation is intended to apprehend two elements. In the first place, the complex array of domestic interests and actors activated based on an external variable: the launch of particular trade negotiations. To this static photograph, we then add a second element: the relationships and interactions established between the state and the wide array of non-state actors that participate or try to influence on these processes. Building on Scharpf [1997], the aim is to analyze the actor constellation – namely, the actors involved, their preferences, capabilities, and strategic action – together with the modes of interaction established among them. The combination of these elements constitutes the framework for the analysis of the process through which actors define their interests and articulate within a particular political-institutional setting and in the context of the launch of certain trade agendas. Here is where the main value of the notion of governance taken as the patterns of public-private articulations arises: it provides an organizing framework for capturing and understanding varying processes of governing, which concern negotiation, accommodation, concertation, and cooperation rather than the

traditional top-down processes of coercion, command and control, and which involve different institutions, mechanisms and practices.

Globalization and national governance are interdependent principles of organization, rather than antinomies, and when facing external pressures, the strategies deployed by both state and non state actors – even if these are path dependent – are transformed to participate strategically in the global scene [Weiss 1997; 1999]. Yet, it is still to be assessed to what extent international trade negotiations promote already embedded strategies or give raise to new institutional arrangements. In other words, the objective is to see whether the public-private articulations promoted after the launching of different trade agendas are mainly explained by already institutionalized and established patterns at the national level. Or if, on the contrary, the need of the actors to activate new arrangements and links to effectively meet the challenges triggered by these trade agendas gives way to similar articulation patterns across countries despite particular national traditions.

a) The setting

Public-private articulations refer to the multifaceted relations between state and society and is intended to shed light on the complex constellation of state and non-state actors, their interests and strategies, and the interactions established among them at the domestic level.

The analysis is circumscribed to the national arena. This is based on the findings presented in empirical studies of transnational activism, which either from a regional or international perspective, have concluded that the emergence of regional and international governance structures does not indicate the demise of the state and national patterns of social organization [Korseniewicz & Smith 2001; Price 2003; Botto 2005; Grugel 2006]³⁵.

When analyzing Latin America, where since the 1990s different regional and trade initiatives have emerged and consolidated, giving way to various governance arrangements, it is striking the persistence of traditional patterns of interaction between state and non-state actors. The underlying argument is that regionalism per se does not automatically ensure the articulation of transnational collective action; it is the particular nature of the

³⁵ This also applies to the EU, where even though some convergence may occur given that EU politics have an impact on the relation between state and non-state actors at the national level, domestic political traditions are still valid within the EU policymaking context [Schmidt 1996; Woll 2006; Jordana & Bianculli 2007].

different governance arrangements the element that accounts for the articulation of actors beyond national borders [Grugel 2006].

In this sense, even if the emergence of new institutional arrangements beyond the state – as in the Summits of the Americas and the FTAA – provides resources, opportunities, and incentives for transnational collective action, the articulation of transnational movements *“will be through a second-stage process of domestication of international conflict in which international institutions serve as a magnet”* [Tarrow 2001:2]. However, this seems not to be the case in Latin America, where regional integration and trade initiatives have not stimulated this process of domestication. In fact, the state and domestic institutional structures are still crucial to understand the modes and ways through which those actors interested in acting beyond national borders and participating in the regional decision-making processes form and articulate [Korseniewicz & Smith 2001]. Besides, within the framework of regional initiatives, deeply rooted in the principle that states should play a key role in managing integration and based thus on institutions with a strong inter-governmental character – such as MERCOSUR – the organization of non-state actors turns out to be a difficult enterprise given the difficulties to access the decision-making process. As long as consultations with civil society depend on the initiative of member states, this regional project has not become a target for transactional collective action.

At the global level, various empirical studies have also provided evidence to support this idea: even if transnational non-state actors play a key role and some important outcomes in world politics cannot be comprehended without taking into account their influence, this does not entail the demise of the state as frame of reference [Price 2003].

Hence, both business and civil society representatives – including even those advocating radical objectives such as transforming the dominant processes of policymaking – are interested in informing and persuading governments to adopt or abandon particular policies or positions. These articulations between state and non-state actors entail the reconfiguration of state-society relations, showing thus changing governance patterns at the domestic level.

To put it succinctly, the regional and international levels do not signal the demise of national patterns of state-society relations and organization. On the contrary, national patterns of organization and interaction between state and society are still persistent and valid. Moreover, actors interpret and evaluate regional and international processes through

the lenses of their particular interaction within the domestic context. The analysis of public-private articulations at the domestic level constitutes the core of our analysis.

b) The actors

Regarding the actors, the state is assumed as playing a fundamental role in the political process of decision-making and remains the key vehicle for the pursuit of collective interests. This centrality is more than pertinent to our object of study given that the national state plays a pivotal and decisive role in regional and international scenarios. In fact, it is the main authority in the negotiation of regional and international agreements. Clearly, the state remains as the source of democratic governance and accountability both in the domestic and international level.

Nevertheless, this claim recognizes three nuances. In the first place, the nature of trade policy, with its focus on balancing the interests of various domestic constituencies, undermines the notion of the state as a unitary actor, who pursues a clear and identifiable “national interest”. Second, given that trade agendas are increasingly complex and demanding, state’s power and capabilities do not derive from its constitutional and legal strength; instead these are created and recreated through the coordination and articulation with other non-state actors [Hirst 2000; Pierre 2000c]. Finally, these agendas activate the involvement of new actors that demand more transparency and participation in trade policy decisions and in different negotiation forums in an attempt to counterbalance the weight of business sectors [Botto 2004a; Woll & Artigas 2005]³⁶.

From the above we can infer that even if the state still plays a key role as the centre of political power, the analysis of domestic trade governance cannot be exclusively circumscribed to the state. It must also shed some light on the identity of non-state actors, how they emerge and define their interests, and the different ways through which they interact and interrelate among themselves, but especially with the state, as the ultimate locus of decision-making power.

³⁶ The idea that state actors are but one of the key agents among potentially many is a core assumption within New Regionalism. This approach acknowledges the importance of civil society actors and argues that regional integration processes involve not only states but also continuing linkages among state and non-state actors – namely, firms and a wide range of civil society actors, among others [Bianculli 2006].

Within this study, state and non-state actors constitute two broad opposing categories. The concept of “non-state actors”, which comprises a universe necessarily diverse, is thus used as an umbrella term to denote the wide range of actors and their quite diverse modes of organization and goals. Moreover, it works as an open definition to allow for the identification and analysis of actors not initially detected.

The denomination of non-state actors refers to business and civil society actors in wide terms, including trade unions, academia and the more formally constituted-non-governmental organizations (NGOs) along with social movements, interest groups, and other non-state groups comprised under the term of CSOs [Friedman & Hochstetler 2002; Grugel 2006]. Thus, we intend to go beyond the political economy literature based on interest groups and focused on the so-called “distributional coalitions”: consumers and producers seeking protection, and export sectors pushing for the opening of the foreign market. This reading can be appropriate for trade agendas centred on trade liberalization in goods and the negotiation of tariffs as the main protection instrument. However, it fails to capture an increasingly complex empirical reality as trade liberalization leads not only to deregulation but also to re-regulation at the national level [Ventura-Dias 2004; Woll & Artigas 2007]. This new agenda impinges on the interests of wider constituencies leading thus to the activation of a larger number of non-state actors.

In order to provide a thorough account of domestic political dynamics in the context of trade negotiations, it is fundamental to delve into the roles and interactions of a wide and complex constellation of state and non-state actors. Nevertheless, the high complexity of agendas and issues at stake hinders making any a priori assumption about which will be the voices in favour and against the negotiation of a particular trade agreement.

c) The linkages between state and society: a two-way dynamic

The literature on governance has acknowledged the shift in perspective with regard to state-society relationships and dependencies. Even if the state remains in control of some unique power bases, it is also becoming more dependent on other societal actors. This is mainly explained by the fact that the state lacks the necessary resources or the legitimacy to formulate workable and effective policies. Moreover, the state faces an environment that becomes increasingly ungovernable [Pierre 2000c:4-5]. In this context, state capabilities rely

not so much on the formal and institutional resources attached to instruments of government, but rather on the ability of the state to define and construct the set of relations that demarcate broad patterns of governance in a specific policy field [Jayasuriya 2004:489].

At the same time, in increasingly diverse and more complex societies, lines of political and social fracture take place in many dimensions. Thus, heightened and more varied demands are placed on the state by a larger and more heterogeneous number of non-state actors to the extent that the simple majority rule turns out to be an insufficient basis for the legitimacy of policy decisions. Non-state actors call for the creation of mechanisms and spaces to be informed and/or to have an effective influence on decision-making processes affecting their own public policy sphere. Moreover, they can provide the state with fundamental informational resources and legitimacy.

In this context, central policy capacities of the state are eroded but new policy capabilities and functions are reconstituted through the configuration of relations and interactions with various non-state actors. Noteworthy, these sets of relations move beyond the traditional command and control mechanisms attached to the Weberian model of state and cut across the boundaries between public and private [Jayasuriya 2004].

Governance is thus a relational concept based on a two-way political dynamic, including the relationships established from the state towards society but also from society towards the state. In turn, this multifaceted set of interdependencies and intersections between state and non-state actors within a policy area give way to new institutional forms, both formal and informal. Building on these notions, the study is intended to detail the various ways in which state and non-state actors relate and articulate in the trade policy field at the domestic level.

- **From the state to society**

In terms of the liaison of the state towards society or, more specifically, the establishment of channels and mechanisms for the consultation and participation of non-state actors, the degree and intensity of the opening and promotion of collaboration is given by a mix of strengths, capabilities, and vulnerabilities that can be explained as follows.

Faced with multiple and changing scenarios, states' capabilities are overstretched and governments attempt to make up this deficit by creating various communication mechanisms with different non-state actors to guarantee the sustainability of their policy decisions. On the one hand, states need to reduce their vulnerabilities or deficits in terms of their policy capabilities: they require specific information, technical knowledge, and expertise to enhance their trade policy effectiveness. This leads to the opening of channels to those non-state actors capable of providing information regarding the government's perceived vulnerabilities. However, states do not only demand information or "added-value" to adapt their problem solving capabilities to new regulatory demands. States need to develop trust and build their legitimacy credentials. This entails reaching out to a wider array of non-state actors.

Both strategies are intended to strengthen the state's policy capabilities when facing complex agendas or issues. These needs or deficits provide strong incentives for states to promote dialogue, consultation and interchange with business and civil society actors. Still, as long as each of these strategies are intended to make up for different needs or deficits, the channels and mechanisms promoted by the state for the participation of non-state actors in the decision-making process will also differ in terms of their frequency and intensity, the degree of institutionalization, and the operational level. These will surely affect the effective influence of societal actors on the decision-making process. This detailed analysis turns out to be essential since both the absence and presence of channels – in all their nuances and variations – impact on the capabilities and collective action strategies of non-state actors. State actors, in an attempt to respond to changing political and economic contexts provide important positive selective incentives to business actors, namely, material resources and privileged access to the decision-making process. Thus, the state is the pivotal causal agent not only of business organization but also of their growing specialization and professionalization Schneider [2004a]. From a civil society perspective, Keck & Sikkink [1998] have depicted under what conditions the blockage or ill functioning of access mechanisms to the state may lead to a boomerang pattern of influence. In any case, by either blocking or allowing access to the decision-making process, states can spur the organization of non-state actors.

- **From society to the state**

When it comes to the changing modes of interest intermediation and articulation patterns between state and non-state actors, traditional models on pressure groups have emphasized the articulation of “distributional coalitions”. Made up of labour and business associations together with other groups that shared sectoral interests, these coalitions resort to various pressure lobbying formulas to put forward their own protectionist or free trade demands.

However, as the distributive effects of trade agendas are increasingly difficult to evaluate and predict, these same actors tend to develop other types of strategies that go beyond traditional pressure lobbying. In fact, as trade agendas gain complexity, apart from the issue linkage that may arise, they involve matters that exceed tariff reduction and imply the harmonization and/or construction of regulatory frameworks. Thus, they evidence a more intrusive character as they impinge on domestic regulatory policies. These various elements affect the ways in which non-state actors define their interests and pose challenges in terms of their participation in the policymaking process.

As long as trade agendas no longer imply unambiguous distributional costs and benefits, analyses based on policy or distributional coalitions turn out to be insufficient. In fact, this approach may be useful when examining policies that affect a small number of stakeholders already familiar with one another. Contrariwise, changes in the trade agenda are faced with more indeterminate and malleable interests. As Schneider [2004b:476-477] argues, when interests are uncertain, much more depends on politics and the political construction of preferences and coalitions. How are interests defined and organized in the context of these more complex trade agendas?

Non-state actors’ interests are not so clear-cut and cannot be determined a priori. Identifying interests and preferences implies a focus on the mechanisms and practices through which these are defined and articulated, and an assessment of the multiple means through which they are translated into strategies, which will depend not only on the non-state actors’ resources and interests but on the wider institutional context as well. The literature has identified different strategies these actors will deploy to make effective their demands for participation in order to be informed of the negotiation processes and attempt to exert some influence on it.

Being the state the main actor in international trade policy, most actions and strategies will be directed towards the government either by making use of participation channels and mechanisms – both formal and informal – already in place or by demanding the creation of such procedures. This demand for participation may be based on the provision of relevant information that can have a more general or detailed character depending on the actual agenda under negotiation and the specific interests at stake. Non-state actors may also be interested in altering the trade agenda by either promoting the elimination of issues or the inclusion of agendas not initially foreseen. However, their participation will also depend on particular characteristics of non-state actors: the degree of interest concentration and organization.

Certainly, actors relying on more resources will be able to exert more influence as they may exchange their resources for influence over trade policy decisions, while those deprived of these resources will find it rather difficult to gain access to decision-makers. Whereas more powerful and concentrated non-state actors may also resort to informal contacts with state actors to raise their demands or contributions, those less endowed with resources and defending diffuse interests or ideas may also face collective action problems. Still, this diffuseness may also work as an asset allowing for the articulation with other non-state actors.

The characterizations presented above respond to categorizations mostly collected in the literature. Building on these two approaches or perspectives – from the state to societal actors and vice versa – the literature has depicted different forms of relationship and articulation between state and non-state actors.

The research draws on these two different approaches and based on this two-way political game, it is aimed at apprehending the dynamics and linkages that the state establishes with business and civil society actors, but also the strategies societal actors implement to reach the state. However, we intend to move beyond this two-way game by proposing a model where these two approaches converge through the introduction of a mediating element between state and non-state actors: the political opportunity structure.

3.2. A more elaborated approach to public-private articulations: actors and political opportunity structures

As a relational concept, governance includes the complex and dynamic interdependencies and interrelations between state and non-state actors, which may evidence strong variation not only across countries but also across policy fields and across time. To the extent that these public-private articulations entail changing patterns of governing, hybrid and mixed institutional forms may emerge. From this perspective, an analysis focused exclusively on the institutionalized process turns out to be insufficient. In fact, it should also incorporate the way in which state and non-state actors activate and articulate at the domestic level. Building on this, the notion of public-private articulation is intended to go beyond the institutional dimension and capture the particular interaction and relations established between state and societal actors within the national arena.

A full account of the public-private articulation patterns requires a more detailed specification of the elements that compose this notion and the attributes affecting it, and which will enable us to identify specific ideal types of public-private articulations.

A first element refers to the actors and focuses on the ways in which they construct their interests, preferences, and capabilities, which, in turn, will work as input in the definition of their action strategies. The second element links the two-way articulation game between state and non-state actors in an integrated model: the political opportunity structure.

a) The actors: institutional leadership, needs, and capabilities

The concept of “actor” encompasses all those actors involved in the formal decision-making process and those that even if they are not involved, intend to participate and exert some kind of influence or effect on the decision-making process.

The next two sections are intended to identify the relevant state and non-state actors having a stake in trade negotiations. Though in practice these two ideal types may become muddled and blurred, we believe this is still a valid distinction as the state remains as the final locus of political power. In doing so, we also delve into their particular *institutional leadership* and *institutional needs and capabilities*.

In the first place, we analyze the organizational features that describe the manner in which actors build and define their preferences and interests to assure their *institutional leadership*. These features refer to the manner in which they develop their action strength, which are generally created by institutional rules establishing and defining competencies and patterns of labour division, and granting or limiting rights of participation and veto as well. Second, we look into their *institutional needs and capabilities*: the deficits actors have to make up in order to face these new trade agendas effectively, on the one hand, and the capabilities or resources at their disposal and which can offer points of access and inclusion in the policy-making process, on the other. We now proceed with this analysis, a synthesis of which can be found in Table 3.2.

- **The state**

In order to capture the process of interest and preference formation at the state level, it is necessary to identify which sectors or areas of government participate in the elaboration and formulation of foreign trade policy decisions. The focus is thus on the state executive power and within this, the two agencies most involved in foreign trade decision-making: the Ministries of Economy and Foreign Affairs, together with specific agencies and secretaries within these. The analysis does not include the legislative power since the involvement of the Congress is virtually none just after the launch of a new trade negotiation. In fact, the participation of the legislative is limited and the approval of international trade agreements appears to be a mere formality [BID 2002; Bouzas 2006a; Robin 2008]. In sum, international trade policy rests largely in the hands of the executive branch, being the Ministries of Economy and Foreign Affairs the traditional and central actors in this policy area.

In the case of state actors – namely, the Executive – *institutional leadership* refers to the labour division and the distribution of functions related to trade policymaking among the ministries and agencies involved. This is given mainly by the degree of “institutional fragmentation and formalization of coordination” among agencies.

In this respect, our analytical framework builds on Jordana & Ramió [2002; 2003] who based on a comparative analysis across 12 Latin American countries elaborated a taxonomy of key trade policy organizational and management models. These models show

large variety across countries and particular volatility patterns as reflected by frequent organizational transformations. Therefore, despite the particular organizational model prevalent in a country, what seems crucial is the ability to concentrate in a single agency the coordination and leadership of the political process [Bouzas 2006c].

The following table collects the variation that both variables can assume.

Table 3.1. The state’s institutional leadership

	Degree of institutional fragmentation	Degree of formalization of coordination
<i>High</i>	More than two ministries or vice-ministries involved in the trade policy decision-making process, exerting equal or different leverage	Active committee capable of reconciling divergent interests among ministries
<i>Medium</i>	Two ministries or vice-ministries involved, exerting equal leverage	Committee but with rather low coordinating capacity
<i>Low</i>	A unique ministry or vice-ministry leads the trade policy decision-making process	No coordinating committee among ministries

Source: The author, based on Jordana & Ramió [2002; 2003].

The research looks into both elements – the degree of institutional fragmentation and the degree of formalization of coordination – while at the same time it focuses on the specific needs or deficits that the state must cover to adapt its capabilities to trade regulatory demands. Taken together, the *institutional needs* of state actors are to reduce their vulnerabilities and enhance government effectiveness [Schneider 2004a]. The need for specialization in foreign trade compels the state to develop greater technical capacity through the creation of expert units or departments and the recruitment of specialists in this policy field [Jordana & Ramió 2002; 2003]. In addition, and since in trade policy the need for knowledge, information, and expertise – all included under the idea of “information” – is constant, the state will demand this information from non-state actors. These different mechanisms are intended to overcome the deficits the state faces in terms of its policy capabilities and enhance, thus, its effectiveness [Aninat & Botto 2005; Botto 2007b; Woll & Artigas 2007]. Nevertheless, in order to face these trade agendas and further strengthen their policy decision, state actors seek to enlarge their base of support and consensus to assure the “legitimacy” and representativeness of their trade policy decisions [Botto 2004a].

As argued in the literature, taken as the construction of state capacities, governance derives from the need to maintain certain power and authority by adding new actors to the decision-making process [Hirst 2000; Pierre 2000a]. This means that in order to build its legitimacy and informational needs, state actors will reach out to society through different channels and mechanisms. However, and given that the particular participation mechanism established constitutes an important incentive for the organization of non-state actors and the development of their capabilities, a complete analysis entails capturing their particular characteristics in terms of their formalization and institutionalization, but more importantly still, it is fundamental to see the degree of inclusion they promote.

In other words, the concepts of opening and participation hold multiple meanings. Hence, it is thus basic to unravel their particular characteristics and traits as participation and consultation mechanisms may show a wide variation. While in some cases they may allow non-state actors to exert effective influence on the formulation of trade policy decisions, other institutional designs may give way to a mere dialogue and interchange of information intended to legitimize already established agendas, in which case the chances of influence are poor. By looking into these various elements, the idea is to attempt to see to what extent these mechanisms allow for an extended or limited inclusion.

Table 3.2. The actors: institutional leadership, needs, and capabilities

<i>Actor</i>	<i>Institutional leadership</i>	<i>Institutional needs and capabilities</i>
State actors	<ul style="list-style-type: none"> •Degree of institutional fragmentation •Degree of formalization of coordination 	<ul style="list-style-type: none"> •Information •Legitimacy
Non-state actors	<ul style="list-style-type: none"> •Ability to represent the sector •Ability to reconcile intersectoral interests 	<ul style="list-style-type: none"> •Ideas •Interests •Information

Source: The author.

• **Non-state actors**

The concept of non-state actor is intended to overcome the great variety of terms and names brought forward by different theoretical perspectives to explore the collective expression and defence of interests. The focus of our research is on organized and

corporate (collective) actors, being these the most relevant actors in the political process given that their strategic action is directed towards the decision-making process through organized collective action to achieve specific objectives and purposes.

Two particular organizational features determine their *institutional leadership* in trade policy. In the first place, the overall strength of associations or the intensity of collective action in them, that is to say, their “ability to represent the sector”. This first element displays a big variety since non-state actors exhibit a large heterogeneity in terms of their organizational styles, objectives, and thus, in the modes and intensity of their collective action strategies. Variation ranges from those actors that organize their activities through stable and permanent organizational modes – as in the case of business chambers and trade unions – to others where activities are articulated by means of mobilization structures – NGOs, social movements, coalitions and networks – and which we include under the umbrella term of CSOs.

The second feature refers to the “ability to reconcile intersectoral interests” and assume a unified and coherent voice. This leads us to consider the process of interest and preference definition that is established by institutional rules and norms, which do not only determine the primary objectives and purposes of non-state actors, but also the modes through which decisions and positions have to be made in order to reach a general consensus on common stances. This includes the actors and levels involved in the decision-making process within the organization. In principle, it may be expected that for those actors having laxer organizational modes – as in the case of networks and coalitions – the elaboration of a unified position will have to overcome greater obstacles and difficulties, even if because of this same laxity they may enjoy greater flexibility and adaptability. Still, and in spite of formal and procedural rules, the own ability of actors to reconcile possible intersectoral differences and coordinate a common stance is a clear determinant of their participation in trade policy decisions. In other words, their impact depends on their ability to act together and with a unique voice, showing thus their ability to represent their members effectively.

Anyway, their participation and impact is directly related to their *institutional capabilities*. To what extent do organizations have the ability to face issues that, as in the case of the new trade agenda, demand specialized knowledge and expertise either to elaborate a coherent and well-founded common position or to respond to technical requirements from the state?

Institutional capabilities refer to the degree of professionalization required either to resolve state demands or to construct coherent and well-founded positions. Yet, these abilities are not evenly distributed across non-state actors, showing a wide variety ranging from “ideas” and “interests” to “information”.

Our understanding of the role of ideas and interests in determining the behaviour and strategies of the actors is based on Weber’s distinction between material and ideal interests. Weber emphasizes the latter and suggests that even material interests are, to a large extent, culturally constructed since they rely on social actors’ ideas about the way the world is and their proper place in it. These ideas or images of the world work as railway switchmen: they determine the tracks along which action is pushed by the dynamic of interests [1958:280]. Based on this ascertainment, other authors have argued that both ideas and interests have a causal weight in explanations of human action: Ideas frame how actors understand their interests [Goldstein & Keohane 1993]. Equally, and given that ideas are part of the institutional framework where action is developed, these do not only frame interests and goals but also offer a shared language and approach to problems [Mattli & Woods 2009a]. In other words, ideas precede the definition of material interests and offer a common framework or ground upon which actors can develop a structure for collective action, especially in those cases in which interests are not clearly defined. It is precisely because of this vagueness that ideas work as an attraction pole and assembling element for the creation of coalitions or networks.

Compared to ideas, “interests” entail greater definition and precision. In the case of institutionalized actors whose activities are structured around stable and permanent organizational modes, the norms and rules serve important functions, including specifying their particular objectives and competencies, modelling preferences and interests, and defining the repertoires of more or less acceptable courses of action as well [Scharpf 1997].

Finally, “information” implies a more precise and detailed use of relevant knowledge to be able to offer added-value to the policy decision-making process. Actors can develop this specialized knowledge through various mechanisms. Apart from the establishment of specific technical departments or areas, options are numerous, including the outsourcing of this task to specialists, consultants and think tanks, and the articulation with other actors.

b) The political opportunity structure: from state incentives to social demand

The notion of governance or public-private articulation includes the actors, their interests, preferences and capabilities that serve as the basis upon which they define their particular collective action strategies and their articulation with other actors. Clearly, even when interests are partly derived from the institutional objectives and purposes, these are ambiguous and malleable. Trying to deduce groups' political behaviour based exclusively on their economic interests can only offer limited insights. As when analyzing the politics of market reform, it is fundamental to delve into other political and organizational factors, which play a more influential role than interests do [Schneider 2004b]. Within this study, the focus is hence on the political construction of preferences within the organizations but also the wider institutional setting where state and non-state actors interact and interrelate.

After analyzing the particular characteristics of the actors in terms of their institutional leadership and needs and capabilities, the *strategy design* will depend on the available options, somehow inscribed in their institutional repertoire and on the cost/benefit attached to each of these possible courses of action. Still, and in order to get a complete picture, the organizational and institutional characteristics of non-state actors must be analyzed in the political and institutional context that serves as framework or scenario for their strategic action and which defines not only the modes of interaction between state and non-state actors but also among non-state actors themselves. This brings us to the concept of political opportunity structure, which provides important insights and significant theoretical leverage for our study.

Political opportunity structures are comprised of specific constellations of resources, institutional arrangements, and historical precedents [Kitschelt 1986]. Taken as the constellation of both formal and informal resources, institutional mechanisms and channels of access to the decision-making process, this concept stands quite close to the idea of "institutional offer" [Mattli & Woods 2009a] and of "positive selective incentives" provided by the state [Schneider 2004a]. The opening or closing of channels and mechanisms of access to the decision-making process constitute external incentives that promote collective action and contribute to the process of interest definition, the promotion of abilities, and the strategy design.

The political opportunity structure works thus as filter between the activation and mobilization of actors and the election of possible strategies and courses of action. In this sense, the election of the strategy does not vary at random. Instead, it is modified according to the specific type of political opportunity structure. However, the opportunities devised by the state for the participation of different non-state actors are not evenly distributed among them. Furthermore, these can vary across policy areas and according to the specific agenda or issue at stake. Participation mechanisms and channels can vary extensively, and the degree of opportunity depends largely on the opening and closing of channels but more importantly, on the type of mechanism or channel implemented. To what extent do political opportunity structures permit the actual articulation and aggregation of interests and demands, leading to an extended inclusion? Alternatively, do the existing structures allow only for a limited and even mere formalistic inclusion?

These variations account for the differential impact that political opportunity structures exert on the various non-state actors, who interpret and evaluate their participation opportunities differently. These mechanisms and channels can promote their participation and hence influence on the decision-making process or, on the contrary, they can impose limits on their action and restrain their possibilities of influence. In turn, this impact on the design and implementation of different strategies to exert some influence on the formulation of policy decisions.

- **State incentives**

The opening of participation and consultation spaces on behalf of the state provides incentives for collective action. However, as long as this outreach to non-state actors can respond to two institutional needs – information or legitimacy – we might expect differences across the channels finally implemented. These differences in state's requirements have important consequences for the ways in which non-state actors can contribute to trade negotiations. Given that the state's needs are different in each case, the participation and consultation mechanisms will also differ and in turn, these will have a differential impact as stimulus to collective action.

In the first case, faced with the need to count on *information* to deal with trade agendas effectively, national governments promote the opening of channels to include those non-

state actors that can provide the information required. This information can range from data on the vulnerability of particular sectors when trade negotiations revolve around tariffs and safeguards, to highly technical knowledge and expertise as required in the negotiation of regulations, for example. As a result, the state promotes an “*anchoring relationship*”, where the objective is to build or strengthen the government’s negotiation abilities vis-à-vis its counterparts. Hence, the anchoring relationship is directed towards actors capable of providing the technical knowledge and expertise governments need in order to broaden the basic consensus on trade policy and negotiate effectively.

From the state perspective, the need for detailed technical knowledge and expertise will lead to the establishment of formal channels for the participation and consultation with non-state actors. This formalization includes the creation and establishment of different mechanisms, which can vary in terms of the participating actors, the frequency, and specific format of the consultation, among other features. Nevertheless, a common trait is that these mechanisms are intended to promote not only formality but also transparency in countries where the economic decision-making process tends to be opaque. Interestingly, however, this formalization does not entail the elimination of informal contacts. In fact, these informal mechanisms and channels may persist and still be a key element in the relation between state and those non-state actors providing with this fundamental added-value. We consider this particular mix of formality and informality as “*extended inclusion*”. In other words, this anchoring relationship gives way to a specific political opportunity structure, where non-state actors’ access to the trade decision-making process is formally and informally facilitated.

On the other hand, when governments need to enhance their base of support in order to assure the legitimacy and representativeness of trade policy decisions, they will promote the opening of access points to reach out to a wider range of non-state actors. This need for legitimacy will give way to a “*boarding relationship*” through the establishment of different channels and mechanisms. However, when compared to the anchoring relationship described above, in this case non-state actors are invited to participate at a rather late stage of the decision-making process and to discuss and legitimize already established agendas. In other words, the boarding relationship is a matter of informing about particular trade negotiations and on decisions already taken. Moreover, and even if these opening up entails the establishment of various institutional mechanisms, these will more generally present an

ad hoc, fragmented and scarcely institutionalized character, while informal contacts and interaction with state actors will be almost nil. The “*boarding relationship*” can thus be characterized as being laxer and more diffuse given the soft institutionalization of the mechanisms and channels established and the absence of informal facilitation.

In such a general setting, the resulting political opportunity structure can be defined as one of “*limited inclusion*”, where non-state actors count on formal but not informal mechanisms of access to the extent that their influence on decision-making processes tends to be rather limited.

- **Resource interdependency among actors**

The public-private articulation is realized through the exchange of resources that the actors would otherwise lack. The concept acknowledges the idea that state-societal relations are based on the resource interdependency among actors, where resources stand for “*anything that can be used to sway the specific choices or the strategies of another individual*” [Dahl 1961:226].

The idea of resource interdependency implies thus the exchange of resources among actors in order to achieve their goals [Rhodes 1981]. Moreover, those entering the policy process will be dependent on other actors for resources given that each of the involved actors possesses resources that are needed by the other participants. Nevertheless, the particular pattern of resource interdependency will be determined by the specific policy field and its particular regulatory demands.

In trade policy terms, and within our theoretical framework, this notion involves information and legitimacy as fundamental resources. This means that while state actors need specialized knowledge and information, political support and legitimacy, non-state actors, on the other hand, require access to the trade policy-making process and concessions in their interests. Yet, and in order to be able to formulate a workable and effective policy, governments’ needs and demands must be met by non-state actors. As argued by Mahoney *et al.* [1994:36] “*groups need government to deliver authoritative decisions and governmental policy makers need groups to facilitate the formulation of a workable and effective policy*”. Non-state actors’ participation and involvement in policy-making will depend on their quality and capacity to contribute with thorough knowledge and well-founded argumentations.

Clearly, the existence of channels and mechanisms for participation and consultation with non-state actors does not create a robust social demand (offer). In other words, the fact that the institutional supply requirement is met does not mean that the state will find a demand (offer) capable of providing the necessary resources.

- **Social demand: from interests and ideas to information**

The idea of social demand takes us back to the extensive literature on interest groups, pressure groups, and coalitions. In general terms, these groups presuppose formal organization and can be distinguished from acts of participation of individuals. In this sense, and as we have already argued, our focus is on collective and organized actors aimed at influencing the policy process [Scharpf 1997]. Thus, we define lobbying as all the activities these collective and organized actors develop to influence on the decision-making process [Woll 2006]. Our analysis revolves then around the collective action problems they have to face in the pursuit of this goal.

When it comes to trade policy, neoclassical political economy has explained state intervention as the result of the lobbying strategies of distributional coalitions dichotomized between protectionism and support for trade liberalization [Frieden & Martin 2002; Ostry 2002]. The focus has been on business and different models have been developed to explain and predict industry behaviour according to various variables: factor distribution, sectors, and firm strategies [Baldwin 1986; Milner 1988; Rogowski 1989; Frieden 1991b; Alt *et al.* 1996]. In sum, and according to these various models and analyses, trade policy is the result of the deliberate action of distributional coalitions [Schamis 1999] and lobbying over trade policy has been equated with rent-seeking [Magee *et al.* 1989].

Still, as the trade policy agenda enlarges and deepens, its domestic impact turns out to be increasingly uncertain and uneven in distributional terms as it affects the interests of many more domestic groups. As depicted by those analyzing the market reform process, we argue that as the trade agenda expands and broadens, interests tend to be more heterogeneous and fluid than as traditionally portrayed in interest-based explanations. Therefore, while analyses on distributional coalitions might be the most appropriate approach to examine policies having unambiguous distributional costs and benefits and

affecting small numbers of stakeholders already familiar with one another [Schneider 2004b:475], they may fail to capture this more complex reality.

To overcome this shortcoming, the literature has recently developed wider frameworks to account for a larger number of non-state actors but also to delve into the various ways in which they engage with the state. On the one hand, some authors have looked into the dynamics of business-government connections to show that these include not only pressure lobbying but also a more interactive relationship based on knowledge and expertise [Woll & Artigas 2005; 2007]. On the other hand, scholars have focused on the role of the so-called “transformational coalitions”: different civil society representatives who, “*unlike the traditional “distributional coalitions” (...) are less interested in the division of the pie than the recipe for making it*” [Ostry 2002:ii]. These different approaches confirm that the panorama is far more complex and diverse. Our study builds on this recent literature and aims at bringing these different perspectives together into one single framework, being the political opportunity structure the agglutinating element.

While in the previous section we focused on the state demands and how these different needs or requirements lead to the establishment of various mechanisms and channels for the participation of non-state actors, we now direct our attention to the social demand. Certainly, the channels and mechanisms established imply different political opportunity structures, each of which has a particular impact on the incentives of non-state actors. However, building on the work of Mattli & Woods [2009b] we argue that an adequate offer of institutional channels must be met by a strong social demand (offer). In effect, this social demand (offer) is not necessarily given in a timely manner when required and this is even more evident in policy areas that, as in the case of trade policy and international trade negotiations, require increasingly specialized and technically advanced knowledge. How do non-state actors articulate their interests and demands and put them forward to the state?

The literature on regulation offers some interesting insights into how actors and interests are organized at the global level. Mattli & Woods [2009b] propose a theoretical framework to account for those outcomes that mainly reflect narrow interests – regulatory capture – and those fulfilling broader public objectives – common interest regulation. Their main argument is that regulatory institutions that supply participatory mechanisms that are fair, transparent, accessible, and open – extensive institutional supply – are more likely to produce common interest regulation. On the contrary, when limited participatory

mechanisms are in place, these are more prone to favour regulatory capture. However, this is a necessary but not a sufficient condition. Other requirements must be satisfied on the demand-side conditions: information, interests, and ideas.

We believe these ideas about regulatory lobbying offer an interesting departure point to analyze the trade policy decision-making process at the domestic level.

- The “three-I”: ideas, interests, and information

The own ability of non-state actors to fulfil states’ demands will determine to a large extent, their participation and chances of impact and influence. Being information and technical expertise of crucial importance in policy decisions, non-state actors’ ability to provide state actors the *information* required is fundamental to the establishment of a public-private articulation based on this resource. The question that comes next is how non-state actors produce this information and knowledge to respond effectively to states’ requirements. Is information the result of their experience in decision-making? Do they create specific areas or departments to produce this technical information? Alternatively, do they simply promote its outsourcing through think tanks and academics?

Non-state actors can resort to various mechanisms and processes to develop this information and capabilities. However, and building on Schneider [2004a], our main argument is that the state and the institutional mechanisms devised for the participation and consultation with non-state actors constitute an incentive for those seeking to exert some influence on the policy process. This is based on the idea that non-state actors can become privileged sources of information for governments. Information and expertise turn out to be an important resource for those actors trying to gain access to the decision-making process [Woll & Artigas 2005; 2007].

As several studies on regulatory trade have shown, access to decision makers works as a selective incentive, which induces non-state actors to communicate meaningful information. Thus, there is a trade-off between pursuing their own sectoral interests and contributing to the decision-making process through the provision of valuable information [Broscheid & Coen 2003; Coen 2005]. Woll & Artigas [2005; 2007] have transferred these insights into the trade policy field to find that across different countries, business-government interactions have evolved towards rather stable working relationships. Based

on information and expertise interchange, these interactions have led to a state of mutual dependence. In terms of our study, this means that information is a fundamental factor to assure a direct participation in the decision-making process. Those actors capable of providing the state with useful information and technical expertise will thus develop a *collaborative strategy*.

As the trade agenda expands and moves trade issues behind the border, it touches on a larger number of domestic policy areas and therefore impinges on the interests and concerns of a wide range of civil society actors, who demand greater consultation on the elaboration of policy decisions and attempt to counterbalance the weight of business sectors. Consequently, in addition to government-firm interactions, state actors are required to meet a vastly increased range of needs, claims, and demands. They need to engage with civil society actors to deal with certain issues and achieve their political goals.

Given that these demands and requirements are a late development, only recently has the political economy literature incorporated the role and participation of civil society actors into the analysis. In doing so, scholars have acknowledged that international trade negotiations are accompanied by a “*double movement*” [Polanyi 1957, 2001]. While governments advance the expansion of markets through regional and multilateral liberalization – “pressure from above” – civil society seeks to shape and transform these negotiation processes “from below” [Korseniewicz & Smith 2001].

Clearly, civil society constitutes a large and heterogeneous group and is a space of conflict and contestation, where actors show diverse attitudes towards trade liberalization and accordingly, deploy various tactics or strategies. In terms of attitudes, three broad types of civil society approaches have been identified: conformers, moderates, and radicals [Scholte *et al.* 1999]. While conformers are sympathetic to trade liberalization processes, reformers do support liberal trade rules but campaign for changes to correct what they understand as flaws, leaving underlying social structures intact. On the contrary, radicals aim to transform the social order. CSOs’ attitudes or ideological dichotomies regarding processes of trade liberalization determine their strategies or tactics. Conformers and reformers will adopt insider engagement strategies and privilege collaboration with state actors to promote policy change, whereas outsiders will focus on contestation and opposition. Radical groups will pursue a more principled *outsider* strategy and simply organize mass opposition [Korseniewicz & Smith 2001; Price 2003; Tussie & Botto 2003; Grugel 2006]. In addition,

and when looking into Latin America, Pearce [2004] has argued that a core distinction within this region's civil society groups refers to perceptions of the liberal state. Whether activists accept the liberal democratic state as legitimate and see it as the legal source of rights or whether they opted out of or lost faith in liberal politics is crucial for explaining trajectories of mobilization. In any case, the state remains as the main point of reference for collective action.

When it comes to the selection of a particular strategy, this would be determined by their capabilities, which include not only information but ideas and interests as well. While more concentrated non-state actors who can also count on resources and means will resort to traditional pressure strategies to promote the defence of their *interests*, larger and more dispersed groups, having only limited resources and knowledge, can overcome this deficit by building on particular *ideas*. In effect, when interests are indefinite and imprecise, *ideas* become a driving force for action as they offer a common ground or framework capable of drawing together networks or coalitions. This loose and lax characterization of ideas permits the articulation of actors in networks and coalitions³⁷. More than interests – which can also be different – ideas work as a nexus. These groups choose among competing sets of ideas, the one that best expresses their interests [Mattli & Woods 2009a]. This imperfect fit provides space for ideas to serve as a common ground on which coalitions and networks can form and develop an agenda based on common concerns.

In terms of their strategies, both will converge into a *competitive strategy*. This seems rather paradoxical given their different nature: the precise character of interests against the diffuse nature of ideas. However, strategies thus based on ideas and interests reflect an underlying conflictive element that clearly differentiates and sets apart these groups from the government but also from other non-state actors.

³⁷ Building networks and coalitions of allies is one of the four major activities that civil society performs. The other three include: agenda setting by identifying a problem, and producing information; developing solutions either by creating norms or making policy recommendations; and implementing solutions through tactics of persuasion and pressure to transform practices and/or promote compliance with norms [Price 2003].

3.3. Governance and four ideal types of public-private articulations

Governance cannot be fully understood in terms of either purely public or societal activities. Rather, it is characterized by complex interdependencies and articulations between state and non-state actors [Knill & Lehmkuhl 2002]. These interdependencies and articulations vary not only in temporal terms but also across policy areas. The table below introduces four ideal types of public-private articulations.

Table 3.3. Trade governance and four ideal types of public-private articulation

		State Actors	
		<i>Anchoring Strategy</i> (Information)	<i>Boarding Strategy</i> (Legitimacy)
		<i>Extended inclusion</i>	<i>Limited inclusion</i>
Non-State Actors	<i>Collaborative Strategy</i> (Information)	Cooperative public-private articulation	Formalistic public-private articulation
	<i>Competitive Strategy</i> (Ideas and interests)	Pressure public-private articulation	Cooptive public-private articulation

Source: The author.

These different typologies constitute ideal types and form the basis upon which we intend to build our comparative analysis. For the sake of simplicity, we discuss these different typologies or ideal types in order, though in practice they might not be found just as they are described and characterized.

As far as the state is concerned, the opening of access points to non-state actors responds to two different needs or demands: information and legitimacy. This opening will translate into various mechanisms that give governments the ability to tackle problems that they would not otherwise be able to solve. In turn, these various mechanisms create different political opportunity structures, which offer an important incentive for the participation of non-state actors. The specific public-private articulation emerges at the intersection of these two elements.

a) Cooperative public-private articulation

This articulation refers to constellations where the state's need for information and technical expertise leads to the opening of different channels and mechanisms to allow for the participation of those non-state actors capable of providing with this key informational resource. As already argued, this will lead to an anchoring strategy and thus to the implementation of formal mechanisms. However, and more interestingly, this formality is accompanied by informal encounters and procedures. In other words, this extended inclusion involves both formal and informal mechanisms to the extent that non-state actors can rely on a wide range of points of access into the decision-making process.

However, a cooperative public-private articulation will only emerge when the state's anchoring strategy is met on the demand side with a collaborative strategy based on the provision of information and expertise that can thus complement the state's limited knowledge or directly fulfil its lack of informational resources. Essentially, this collaborative public-private articulation depends on the informational capabilities developed by non-state actors.

In turn, and given that non-state actors can offer resources and capabilities the state requires to deal with trade agendas effectively, the latter may provide incentives to stimulate the integration and organization of societal interests and promote the development of their capabilities. In the long term, it may be expected that the stability and institutionalization of this articulation channel or mechanism, as selective incentive, will promote a learning process by non-state actors, leading thus to the establishment of a working and cooperative relationship with governments. As various empirical studies on the EU regulatory process have already shown, the relationship between state and business actors is founded on information dependency [Coen 1998] and credible commitment [North & Weingast 1989; Majone 1999; 2001].

In sum, the anchoring relationship will lead to a process of extended inclusion. This is expected to offer greater incentives for non-state actors to invest in their own organizations and to enhance their abilities and informational resources to participate through the channels and mechanisms formally established, but also to respond to the state's demands and requirements that could be put forward through parallel informal arrangements.

b) Pressure public-private articulation

As we have just seen, when the state requires information and technical expertise, state actors will develop an anchoring strategy to obtain these fundamental resources from non-state actors and to broaden the basic consensus on trade policy decisions. The state will provide different mechanisms to promote the formal and informal participation of these actors. However, when the state's demands and requirements are met with a competitive strategy on behalf of non-state actors, a pressure public-private articulation will emerge.

When it comes to the expertise and organizational capabilities required to achieve a meaningful participation, we find that these are not evenly distributed among non-state actors, rendering broad and sustained participation by all those potentially affected by the negotiation of these trade agendas difficult. These issues are not only beyond the interest of most citizens, who view these as distant processes having no impact on the domestic sphere. In addition, many non-state actors may lack the required technical information and expertise, whereas others may be deprived of the necessary resources in terms of strength and leadership, facing thus collective action problems when it comes to activate the adequate mechanisms to demand participation and involvement in the decision-making process. Deprived of this key resource, non-state actors may base their strategy on either ideas or interests.

On the one hand, more concentrated non-state actors who can also count on resources and means will resort to traditional pressure strategies to promote the defence of their interests. In its narrower definition, these interests can oscillate between demands for protection by import competing sectors, and the request for larger liberalization by export-oriented sectors. Even if they are faced with a political opportunity structure based on a process of extended inclusion, their own inability to produce well-informed proposals may lead to a competitive public-private articulation. On the other hand, this may also be found when larger and more heterogeneous groups facing important collective action problems confront the state with their own ideas, without offering the information and technical expertise the government is demanding. Paradoxically, both concentrated interests and diffuse ideas can lead – in the absence of information – to similar competitive strategies, and ultimately to similar pressure public-private articulations.

c) Formalistic public-private articulation

Requirements for broader input legitimacy demand the consultation of a larger number of societal interests, leading the state to pursue a boarding strategy. Even if this means consulting with a wider number of non-state actors, it does not entail a process of extended inclusion, as in the previous two typologies, but of limited inclusion instead. This is because the institutional arrangements implemented to bridge the gap with non-state actors show a lower level of institutionalization and greater fragmentation and only include formal mechanisms and channels. Thus, they offer fewer incentives for non-state actors when compared to those who can also count on informal access to the decision-making process.

However, the fact that there are no participation channels or the existing mechanisms are obstructed has a varying impact on the different non-state actors. The impact of these scarce incentives will vary according to the capabilities non-state actors can offer to the state.

When state actors' need for legitimacy is faced with a collaborative strategy, on the demand side, this will result in a formalistic public-private articulation, which refers to a constellation where non-state actors' collective action is built on a rather well informed basis. However, the state-societal relation will only be based on formal mechanisms that, given their lower degree of institutionalization and formalization, may be only occasionally activated, either when state actors consider that non-state actors can make some particular contribution and provide added-value or when the latter intend to bring forward a proposal or suggestion.

d) Cooptive public-private articulation

When the state's main requirement is to gain legitimacy and support for policy decisions, a boarding strategy will be pursued. The state will promote the establishment of formal channels and mechanisms but informal access will not be provided. Faced with a competitive strategy, based on concentrated interests or diffuse ideas on the societal demand side, this political opportunity structure will lead to a cooptive public-private articulation.

In this case, public access channels are limited and inadequate. Confronted with a more concentrated or radical nature of the pressure exerted by non-state actors, the political

opportunity structure is not likely to promote the aggregation of interests and demands, limiting thus the influence of non-state actors on the decision-making process. Thus, the cooptive articulation is based exclusively on a formal facilitation of access, where non-state actors find it difficult to obtain concessions. In some cases, and this is especially true for those deploying a more radical strategy, dialogue with state actors may be impossible or even avoided.

When participation and consultation channels are limited or blocked, more dispersed and heterogeneous groups are at a distinct disadvantage compared to more organized and concentrated groups since the resources at their disposal are modest and their knowledge limited. In addition, they are too large and heterogeneous to overcome collective action problems. The creation of wider alliances and coalitions is thus a useful strategy to overcome their collective action problems.

Here *ideas* gain special prominence. When interests are indefinite and imprecise, *ideas* become a driving force for action and offer a common ground or framework capable of drawing together networks or coalitions. Moreover, ideas do not only draw together domestic actors, in fact, they can also bring together regional and transnational actors. When domestic channels of access are limited or blocked, the launching of international negotiations can generate various strategies linked to the regional and international level but aimed at exercising pressure on the domestic policy decision-making process. In their search for allies, domestic actors join regional networks and coalitions and thus, exert pressure on national governments from outside. In addition, by articulating with regional and international partners, non-state actors gain access to various resources in terms of information, expertise, and even, financial means – resources that are in short supply for many of them. In this sense, trade negotiations are likely to act as a catalyst for collective action. Based on a certain repertoire of common concerns and ideas, these networks – though mediated by the regional and international – direct their strategy towards the national state.

3.4. Trade governance and public-private articulations across negotiations

In this study, we have assumed a relational definition of governance taken as the particular patterns of public-private articulations that may emerge within the trade policy field. This conception of governance may be applicable to a number of settings though differences are expected to emerge across countries and time. Essentially, particular public-private articulations are context dependent. Hence, when analyzing domestic governance it is important to spell out clearly the different types and forms of governance arrangements or public-private articulations within a particular policy field and the wider political-institutional setting.

With this notion in mind, we have identified and characterized four ideal types of governance or public-private articulations. These diverse typologies are intended to shed some light on the complex articulations and interdependencies between state and non-state actors. States offer important incentives for non-state actor's activation but these vary according to the particular deficit the state faces. These various requirements will lead to a process of extended or limited inclusion according to the type and number of points of access to the decision-making process or the institutional barriers or obstacles to inclusion. In turn, these different institutional arrangements affect the incentives of the actors for collective action and contribute to the interest definition, the promotion of capacities, and the design of strategies. Thus, when confronted with non-state actor's capabilities and strategies, they will produce particular public-private articulations or trade governance arrangements.

Our research is thus intended to examine under what conditions transformations in the trade policy field have led to the emergence of particular constellations of state and non-state actors. Furthermore, the analysis is intended to deepen our understanding of this expected variation by comparatively evaluating three different types of trade negotiations in two countries.

CHAPTER 4

THE METHODOLOGICAL APPROACH

Our research question relies on a basic assertion: regional – both symmetric and asymmetric – and multilateral trade negotiations evidence important differences, which go beyond the specific trade agenda they pursue. Clearly, these various negotiations involve different issues, commitments, and objectives in terms of trade liberalization and regulation. However, differences are also evident in terms of the number and type of states involved and the institutional setting where they take place. Moreover, these multiple negotiation rings occur at different levels.

Based on these differences, our main argument is that the launching of these different negotiations triggers particular domestic political dynamics or trade politics. Thus, our objective is to study in an exhaustive and extensive manner the variation regarding the activation and organization of interests across trade negotiations and across countries.

Rather than deducing interests and preferences or taking them as given, we intend to capture the preferences, interests, and ideas that underlie particular strategies and articulation patterns among state and non-state actors when facing specific trade negotiations. This entails developing an empirical and qualitative approach, structured mainly around the use of semi-structured interviews and the observation of the actors' strategies and involvement in particular trade negotiation processes. In addition, by systematically combining these two approaches, one focused on the actors – their interests, capacities, and strategies – and another revolving around the particular ways in which they interact, we can determine to what extent national variations prevail when analyzing the domestic impact of trade negotiations.

The next two sections present a detailed account of our qualitative approach and the main arguments on which we base the election of such research approach, together with the limitations and problems this type of approach may entail together with the remedial strategies we developed in order to deal with these. In the third section, we look into the data collection process and discuss how the collected data was expected to reveal knowledge about our research topic. Finally, we expose the operationalization of the independent variables and hypotheses.

4.1. Qualitative studies and the comparative method

Clearly, no method is infallible and the literature has shown the shortcomings of the various approaches to the extent that “*no one method or epistemology could be expected to fit all cases*” [Wight 2002:36]. In fact, different research methods and approaches offer different uses, restrictions, and comparative advantages. Case studies are strong precisely where statistical methods and formal models are weak [George & Bennett 2005:19]. Conversely, statistical and formal methods are strong just where qualitative and case studies are weak.

In addition, the analysis and application of qualitative methods in social sciences has experienced a quantum leap in recent years [2005; Bennett & Elman 2006; Levy 2007]. Building on previous classic works based on qualitative research methods and being influenced by different sources, scholars have elaborated a new qualitative methods canon since the 1990s [Bennett & Elman 2006]³⁸. Moreover, scholars have sharpened the relative advantages and limitations of different research methods, and in this debate, consensus has emerged regarding what today is known as “mixed approaches”. Based on the assumption that the relative advantages offered by quantitative and qualitative studies are not only different but complementary as well, scholars have recently focused on combining methods of these different traditions in the same study or research program. This integrated strategy deploys both analytical tools simultaneously; combining thus the particular advantages these different approaches offer. This unified mixed method approach or nested analysis results in a synergy that can be very productive [Lieberman 2005].

Research involves essential tradeoffs³⁹ and when making a particular methodological choice, researchers are faced with the need to evaluate the nature of these tradeoffs and weigh drawbacks against the possible benefits or advantages that each approach entails in terms of their particular problem or research objective.

In our study, we have resorted to a qualitative methodology because of our objective: to provide an analytical narrative process or tracing account of the domestic process through which state and non-state actors define their perceptions and interests, and the various

³⁸ These classic works include those by Przeworski & Teune [1970], Lijphart [1971] and Ragin [1987], among others, while most recent writings are the works of Van Evera [1997], Ragin [2000], Gerring [2001], Geddes [2003], Brady & Collier [2004], King *et al.* [1994b], George & Bennet [2005] and della Porta & Keating [2008], among others.

³⁹ The literature has extensively analyzed these tradeoffs. See Gerring [2001] for an overview and the different emphases placed by Sartori [1970] and Ragin [1987].

mechanisms through which they articulate their strategies and articulations in the context of particular trade negotiations.

a) The comparative method

The comparative method is essentially a case-oriented strategy of research where the main objective is to compare cases and find patterns of constant association. Rather than explain variation, the comparative method is intended to determine the different combinations of circumstances associated with specific outcomes or processes [Ragin 1987]. Being examined as wholes, that is to say, as combinations of characteristics, the cases thus compared allow for the identification of particular configurations of conditions. The Contrariwise, the denominated effects-of-causes perspective [Mahoney 2007] or the variable-oriented approach [Ragin 1987] are theory-centred and designed to assess probabilistic relationships between variables⁴⁰.

Two elements of this methodological approach are of particular interests given our research objective. First, qualitative comparative studies often adopt a causes-of-effects approach since they are intended to explain why cases have certain outcomes. Explanation entails looking for proximate causes rather than for final ones [Tilly 1984]. The pursuit is for multiple intersecting conditions that link characteristics of context and process to particular outcomes [Ragin 1987]. Second, case-oriented methods stimulate a rich dialogue between empirical evidence and ideas. They allow for a flexible approach to the data collection process without constraining or restricting the examination of evidence. Case-oriented methods allow for the identification of invariant patterns common to a relatively small number of cases. They provide a basis for examining how conditions combine in different ways and in different contexts to produce different outcomes, allowing thus for a comprehensive examination of defined cases and phenomena [Ragin 1987].

Based on this distinction and given our research objective, our methodological choice was to deploy a case-oriented approach. Hence, our research does not build on a dependent-independent variables' logic focused on the quest for causal relations between both

⁴⁰ However, today there seems to be agreement that the categorization of studies as predominantly case-oriented or variable-oriented is rather useless and moreover, it is inappropriate to regard these two approaches as rival enterprises [Gerring 2007]. In fact, already in 1987, even Ragin [1987] was interested in overcoming this traditional dichotomy by proposing a distinctive method.

variables. In fact, given the small variation – both in terms of the type of negotiations and of the countries – we lack enough empirical evidence to suggest there are strong causal relations between trade negotiations and the different public-private articulations that emerge as a result of the launch of these negotiations. The selection of the particular research methodology was based on the idea that the method of structured and focused comparison [George & Bennett 2005] provided a better opportunity to gain detailed knowledge of the ways in which actors define their interests, preferences, and strategies in the context of particular trade negotiations. This detailed knowledge constituted the basis of our analytical narrative or process tracing account.

Building on this, our method has been structured according to some general questions based on our research objective and analytical framework. These general questions constituted the core of our interview protocol and research guidelines in an attempt to guide and standardize our data collection and ensure thus the acquisition of comparable data to proceed then with the comparative analysis.

b) Context and process

Case-oriented studies delve into the multiple intersecting conditions that relate characteristics of context and process to particular outcomes. Translated into our study, the objective was to capture and explore the dynamic process of interest formation and articulation in particular contexts marked by the institutional setting of each country but mainly by the particular challenges different trade negotiations pose to domestic actors.

Analyzing interest and preference formation entails looking into processes, namely, unravelling how these unfold over time and in different contexts in an attempt to reveal change and flux. Interests and preferences, together with the particular ways in which actors interact and articulate, are embedded in contexts and it is crucial to study them as such. In fact, interests, preferences, and articulations cannot be understood in a vacuum; rather they have to be apprehended in a particular setting or context. Hence, the emphasis is on the contextual understanding of the processes of interest formation and articulation.

Along with context, we also intend to analyze the process to show how events and patterns evolve in a particular trade negotiation. As a result, we intend to describe change and flux in the patterns of interest formation and articulation vis-à-vis particular trade negotiations.

This mainly accounts for the use of semi-structured interviews, through which participants were asked to reflect on the processes following the launch of a particular trade negotiation. The aim was to examine the chain of events through which interests were defined and the strategies developed to articulate with other actors.

Following to some extent the notion of *“thick description”* of social settings, events, and often individuals offered by Geertz [1973], we provide a detailed account of the process and context within which particular constellations of actors define their and political interests which, in turn, serve as a basis for their strategies and articulations.

In sum, our analysis offers a detailed account of the constellations of forces shaping the particular public-private articulations that occur in various trade negotiations. These public-private articulations – as social processes – are deeply embedded in contexts that shape and are shaped by them. Context and process are inextricably intertwined.

c) A qualitative approach to trade politics

Process can be best described as *“a sequence of individual and collective events, actions, and activities unfolding over time in context”* [Pettigrew 1997:338]. The underlying assumption is that social reality is a dynamic process being the final aim of the researcher to capture this reality in flux. In terms of the agency and structure pairing, the core idea is that both agency and context present a dual quality: contexts are shaping and shaped whereas actors are producers and products [Giddens 1979].

Translated into our own research objective, this means that actors are embedded in particular contexts that bound their information, insights, and influence. However, at the same time, their actions shape these settings. The interchange between agents and contexts occurs over time and is cumulative in the sense that the legacy of the past is always shaping the emerging future. This interchange is hence path-dependent or path-conditioned, still not inevitable.

Our study is intended to fulfil three important research objectives. In the first place, it is aimed at providing a more detailed analytical narrative to account for the relation between trade negotiations and the domestic structure of interests across negotiations and across countries. Second, in an attempt to interpret this narrative of the process of interest formation an articulation, the study is intended to contribute to the existing literature with a

more detailed and fine-grained analytical model on the conditions under which particular public-private articulations occur. We intend to use our comparative findings to refine previous insights offered in the literature by broadening cross-case comparisons. Third, there is a search for patterns in the process of interest definition and articulation, which constitutes the basis for our comparative analysis. This narrative is accompanied by our analytical framework and explanatory hypotheses in an attempt to illustrate a more general pattern and to see to what extent actors' strategies follow an incremental and path-dependent or path-conditioned logic or, on the contrary, they constitute an innovative response to the challenges posed by trade negotiations. In this sense, the idea is to find differences and regularities through the juxtaposition of various trade negotiations in two different Southern Cone countries and see to what extent these could be explained by domestic or international factors.

d) Trade negotiations and actors' interests

The problem of endogeneity exists when the values of the explanatory variables are caused, at least partially, by the dependent variables [King *et al.* 1994b]. Building on this definition, it might well be argued that it is the preferences of the actors that explain the trade agenda at stake, rather than the trade agendas accounting for the actors' preferences and interests. Endogeneity is clearly one of the most important challenges facing the study of interests. However, our research design was intended to address this problem.

In the first place, our study does not assume a variable-oriented approach where causal conditions are viewed opponents in the struggle to explain variation [Ragin 1987:52]. Rather than looking for explanatory or causal mechanisms and identifying strong correlations among variables, our research method assumes a case-oriented logic guided by the idea of unravelling common patterns in the process of interest formation and articulation across different types of trade negotiations and across countries.

Second, when looking into the domestic side of the equation, our study has revolved around medium-sized developing countries, who have only lately entered the international system and as late entrants, they "*are rule-takers rather than agenda-setters*" [Narlikar 2006]. This is especially evident when they face trade negotiations involving industrialized countries at the regional or multilateral level. At the multilateral level, developing countries have found

it difficult to influence not only the process of agenda setting but also to shape the result of the negotiations [Tussie 2003b]. Even if developing countries, and specially Latin American countries, have tried to compensate for this neglect by promoting bilateral and regional negotiations with industrialized partners, here too, agendas are mainly set by the Northern countries, whose agenda is more in tune with the WTO and have been actively involved in trade negotiations since the creation of the GATT.

Finally, time must also be considered. Our analysis focuses on the moment when particular negotiations are launched, being this led by governments. Clearly, as the process of negotiation evolves, interests change and different logics of action are developed. Therefore, the form in which the interaction between state and non-state actors evolves hinges upon the particular stage of the process. Based upon the cycle of public-private interaction analyzed by Tussie *et al.* [2004], five stages can be identified in the trade policy-making process. Within this process, the initial stage is that of agenda setting, where mainly governments are involved. In this sense, the preferences or interests of non-state actors are not directly taken into the agenda at this stage, least at the moment when governments decide to launch a particular trade negotiation. It is once negotiations have been launched that we expect non-state actors to assume a more active and vocal role in the trade negotiation process.

4.2. Research resources

The process tracing procedure requires a great deal of information and insights to disentangle how interests are defined and organized when confronted with particular trade negotiations. To fulfil this requirement, the study had recourse to a combination of rather extensive interview material and written documents to assure data richness and access.

a) The use of interviews

Disentangling interests, preferences, and strategies entails accessing to public and private actors in order to obtain data that is otherwise dispersed and in some cases, not even publicly available. Thus, and given our research objectives, we have placed more emphasis on the use of interviews.

Interviewing is one of the most commonly employed research methods in social sciences, especially in qualitative research. Interviewing is the most appropriate method when the researcher needs to know what a particular social or political group thinks or how these interpret a specific event [Aberbach & Rockman 2002:673]. However, what makes interviews so attractive and useful is its adaptability and versatility [Bryman 2004:319]. Interviewing can easily be tailored to the research objectives of particular projects. Hence, there are only a few standardized procedures and methods. These tend to vary a great deal and there are many types of interviews with different kinds of questions, each of which turn out to be more appropriate in particular circumstances [Leech 2002].

Procedures range from the standardized questionnaires to semi-structured and non-structured, open question techniques. In the case of unstructured interviews, the interviewer has only limited knowledge and interviews are hence used as a way of obtaining insights, more information, or even an insider perspective. On the opposite side of the spectrum, structured interviews with close-ended questions allow the interviewer, who already has a lot of knowledge on the issue, to ask questions that are more specific and get thus very precise information. These standardized questionnaires allow comparing responses of a relatively large sample, which can even be subject to some degree of statistical analysis. While unstructured interviews are more common in ethnographic research, standardized questionnaires are specially used when interested in surveying political attitudes and values or particular forms of specific political behaviour.

Within these two extreme interview styles, we have relied on the use of semi-structured interviews with open-ended questions as these could provide us with more detailed and in-depth information and an insider's standpoint as well. Apart from the fact, that this technique offered important advantages compared to the other two types of interviews in the light of our research objectives, semi-structured interviews are the most convenient technique when dealing with "*elites*".

The notion of elite does not refer to the socio-economic position of the interviewee but rather to the respondent's access to knowledge. Elite interviews are crucial when interested in accessing information not easily available and gaining an insider's perspective on the policy topic under examination. These interviews provide insights into events about which the researcher knows little, but more importantly they allow gathering information about

events and activities that are not available as they generally “*take place out of the public or media gaze, behind closed doors*” [Lilleker 2003:208].

Within our research, specialized or elite interviews were thus fundamental given our interest in learning more about the process of interest formation and articulation. In addition, these interviews helped us expand upon previous knowledge while at the same time they provided textural depth and empirical strength to the narrative of our analysis. The final aim of the interviews was to identify interests and strategies and to see how these articulated and interacted in the context of specific international trade negotiations, paying special attention to the actors involved, the timing, and means of this involvement, and the relationship and linkages established between state and non-state actors in the domestic arena.

- **Elite interviewing: casting and setting**

Interviews included key actors in the public and private spheres. On the one hand, interviews incorporated key representatives of the Ministries of Economy and Foreign Affairs – the two agencies most involved in foreign trade decision-making – and, on the other hand, representative actors were chosen out of the business sector and the realm of civil society to cover the non-state sphere.

Rather than relying on a strict sample, respondents were selected based on a combination of two techniques: convenience and snowball sampling. Through the first technique, respondents were chosen by virtue of their accessibility. This non-probability method was especially used for the first interviews by means of which we intended to pilot our initial questionnaire protocol, gain further insights into our research project, and strengthen links with already existing findings in the field. In addition, and based on the snowball sampling technique, we relied on this first group of respondents to generate additional interviewees.

The literature has clearly shown that there are some methodological pitfalls for using this sampling technique. Snowball technique contradicts many of the assumptions underpinning conventional notions of sampling [Atkinson & Flint 2001] and selection bias may limit the validity of the results and the ability to make generalizations about the population [King *et al.* 1994a]. Despite these shortcomings, this technique was still used given that drawing a random sample was rather unfeasible as it was impossible to know the

exact nature of the universe from which it would have to be drawn [Becker 1963]. Given the difficulty to create such a sampling frame, a non-probabilistic approach was the only viable one. Furthermore, the combined use of convenience and snowball sampling procedures offered real advantages in terms of our research objectives.

In the first place, and given that our research aim was not to gather information to make generalizable assumptions but rather to discover and unravel preferences and interests, and to provide a more detailed picture regarding the constellation of actors and interests in the context of particular trade negotiations, this problem of representativeness does not seem to be so acute. Second, the use of this strategy offered a means of accessing and gathering information on groups either difficult to reach or concealed from the public – in this case, elites. By employing research into participants' social networks to access specific actors, snowball sampling does not only facilitate access to elites but overcomes the requirement of trust as well. These elite interviews enabled access to fundamental information not easily available and constitute – in spite of the need of cross-checking and testing against other written sources – the core of our analytical narrative [Bates *et al.* 1998].

An important problem faced when wishing to interview elites is how to get access. Once actors had been identified, which could be the result of the snowball connection or an internet search, especially in the case of former public officials or leaders of business and CSOs, “*getting in the door*” [Goldstein 2002] was quite time consuming. We thus targeted a large number of policy representatives that included not only public officials but also business representatives and a wide range of civil society actors including labour actors, NGOs, and other experts, namely, academics, former state officials and business leaders, and consultants.

Field research focused on the conduction of semi-structured interviews with these key actors or experts, possessing first-hand knowledge or expertise on trade negotiations in Argentina and Chile. These interviews constituted the central piece of our empirical research, with 48 interviews, conducted with public officials, business, and civil society representatives.

The following table breaks down the interviews, across countries and particular area or sector.

Table 4.1. Interviews across countries and sectors

Sector	Country		Total
	<i>Argentina</i>	<i>Chile</i>	
Public officials	8	4	12
Business	12	6	18
Labour	2	1	3
NGOs	3	3	6
Experts	3	7	10
Total	27	21	49

Source: The author.

Interviews were conducted on a personal basis with the respondents, except for two interviews that were carried on the telephone and via Skype.

The field research was conducted along three phases. The first phase took place in Buenos Aires in November 2007, being the objective not only to carry out the scheduled interviews, but also – and this was specially true in the case of the first interviews held during this trip to Argentina – to test and improve our questionnaire. The second phase was carried out both in Buenos Aires and Santiago de Chile during the months of July and August 2008. The final phase only involved interviews in Santiago de Chile during the month of July 2009.

• Questionnaire

As clearly put by Leech [2002:668], the main objective of semi-structured interviews is to “allow respondents to be the experts and to inform the research”. This interview protocol also allows flexibility to explore unanticipated answers and faces the interviewer with the need to make decisions regarding the particular questions to ask as the conversation progresses [Berry 2002].

This type of research protocol seemed to be the best choice for our project since our data collection was intended to provide us with deep and contextualized information and details on actors, interests, and strategies. For all the interviews, we then used a research

questionnaire structured around some core questions, the content of which was anyway adapted to each respondent and even altered depending on the flow of the conversation.

The questionnaire included mainly open-ended questions that allowed the respondents to tell us what was relevant and important, giving them latitude to fully articulate their answers. More importantly still, this type of questions generated better receptivity in the respondents given that elites prefer to articulate their own views and perceptions and account for these, rather than being forced to answer close-ended questions [Aberbach & Rockman 2002]. Accordingly, and given that our objective was rather exploratory and in-depth, the fact that the respondents could articulate their answers and express themselves on several issues allowed us to gain deeper insights and knowledge on these issues.

The questions were distributed in a particular order, starting with the “*easy questions*”, necessary not only to break the ices but to generate some initial rapport with the interviewed as well. These questions were generally related to the own experience of the respondent, including background, title, and experience within the organization, among others. We then would move on to the core questions intended to capture perceptions, interests, and preferences. Interviews often ended with a question like “*Is there anything you would like to tell me about and that I have not asked you about?*” to allow the respondents to tell us about a particular event, experience, or detail they might think of interest.

Prompts were also an important part of the interviews and proved to be useful to gather more depth about the topic of the interview as they offered the possibility of following new and interesting paths as suggested by the respondents. Probes, which were mostly spontaneous and informal, were intended to reassure or specify comments by the respondents. In fact, this is one of the main assets of this type of interview: the possibility of rambling or going off at tangents than can offer insights into what the interviewee sees as relevant and important [Bryman 2004].

The idea of having a research questionnaire or interview protocol was crucial because of two main factors. In the first place, it was fundamental to make sure that we would not miss some key details and information we were looking for, based on our previous research and knowledge. Second, it helped to organize and keep the conversation within certain boundaries, being “time” one of the strictest. Certainly, most of the interviewees were in the world of politics and business, where time is a precious and scarce resource. Building on this and on the need to guarantee that we could get what we were looking for, the

research questionnaire was useful in keeping track of the conversation. Thus, most of the interviews took between 60 to 90 minutes. Only a few have taken less than 45 minutes, especially the telephone and the internet interviews.

Interviews were tape-recorded to facilitate the conversational style and reduce information loss as it allowed for transcription. Only a couple of respondents refused to be taped, and just one asked not to be taped at a particular moment. Apart from these, respondents did not seem to be inhibited because of the recorder.

In sum, in the light of our research objectives – to capture attitudes, interests, and preferences – and because of the state of previous research in the area, we believe that semi-structured and largely open-ended interviewing was the most suitable approach. These interviews constituted mostly explorative and flexible talks, which allowed us to ask new questions following the interviewees' replies and respond to the direction in which respondents took the interview, getting thus rich and detailed answers. They were basic in the collection of more detailed and factual information and in gaining a better understanding of the process of interest formation and articulation in particular trade negotiations. More interestingly, through these interviews we could grasp the articulations and relations between state and non-state actors, especially the balance between formal and informal interactions, given that the latter are not evident in any institutional chart or written norms or rules.

b) Analysis and use of data

The research was based on primary and secondary resources. In order to collect adequate empirical evidence for the case studies, we analyzed a wide range of written resources, both primary and secondary. Data collection included secondary literature and existing studies on related topics, together with primary documents, namely, institutional records, public documents and communications, annual reports and press releases, together with newspapers as well as data searches on the Internet taken as an account and interpretation of these same events. These various materials were intended to build our understanding of the negotiation processes and provided an interesting base for the later process of data analysis and the development of our analytical narrative or process tracing approach. Nevertheless, these sources were taken as complementary material, necessary to

corroborate, deepen, or illustrate the domestic process and outcomes, and the data collected through the interviews.

More emphasis was placed on interviews because of two factors. In the first place, at this stage of the negotiation process, that is to say the precise moment when negotiations are launched, written documents might be difficult to find and when they do exist, they often do not capture this kind of information. Second, the details of differences in interests and priorities can only be captured in time and from those actors directly involved or with a stake in a particular policy issue.

Hence, much information had to be collected from the participants themselves. The launch of particular trade negotiations leads to a process of interest definition and articulation that in most cases is not transposed into written documents. In fact, only when actors come to a final position regarding the negotiation agenda, this might be translated into a written document or report. Disentangling the initial steps towards the elaboration of such common position was the objective of our research. This information could only be accessed through interviews with those playing the leading role in the newly created trade scenario. This is especially evident in the case of those actors that were directly involved or demanded a space in these negotiations processes. However, and as we have already explained, non-state actors also included external experts who were not directly involved in these processes. Even if they lacked the more contextual factors regarding the definition of interests and strategies of particular actors and organizations, they could provide us with a broader picture of the particular constellations of actors, their identities, interests, and capabilities.

Interviews constituted our main source of information and data. They offered important insights into the process of interest formation and articulation in the context of trade negotiations and they were fundamental in accessing information not easily available. Yet, we are well aware that the information that resulted from these interviews was clearly subjective since it reflected the own respondents experiences and their particular point of view regarding a particular event. We have been keen on this problem, and in order to minimize it, we have conducted a relatively high number of interviews. In addition, these were crosschecked with one another and tested against reliable written documents where available. In this sense, we have also incorporated secondary source material, namely, previous studies and research on trade negotiation processes during the 1990s and where

possible, first-hand accounts or other documentary sources were considered as well. In sum, interviews were the main method for data collection but secondary literature and resources provided useful empirical data to corroborate, deepen, or further illustrate the process of interest definition and articulation.

Transcription was fundamental to corroborate and crosscheck the information we had gathered through the interviews. Even if this was a highly time-consuming task, we believe that transcribing all our interviews was the best strategy available to make the most out of our research materials. Transcription allowed us to preserve facts and fine points that had been initially regarded as unimportant but which, in the course of the research and the process of tracing back how interests and strategies were defined and implemented, had turned out to be important to further deepen our understanding of the process. Second, transcription enriched our narrative or process tracing by providing details and subtleties that might have been disregarded simply because while interviewing we could not keep track of all the information, details and particular issues that respondents brought up during our conversation. In sum, this transcription procedure allowed for a more thorough examination of what respondents had said.

Still, the data say nothing and it is the researcher who is deeply involved in the process of interpreting them [Checkel 2005]. Building on the data collected, we then moved on to the process of analysis and interpretation in order to construct our narrative of the process of interest formation, definition, and the strategies and articulations actors promoted based on these.

4.3. Operationalization of the research design

In order to see to what extent the domestic process of interest definition and articulation is affected by different trade negotiations, our analysis is based on a more constructive dialogue between comparative politics and IPE. In fact, policy options are the result of two factors that relate to two different levels of analysis in constant state of flux: international trade negotiations, on the one hand, and the relations between state structures and social, economic, and political groups at the domestic level, on the other.

Nevertheless, our focus is on the domestic level: how domestic actors define their interests and interact in the context of particular trade negotiations. This is based on the idea that

even if the trade policy-making process shows a similar regional procedural pattern in the Southern Cone, trade policy formulation results from both a series of already institutionalized processes and mechanisms and the particular domestic political dynamics associated to specific trade negotiations. Hence, a more disaggregated analysis is necessary to grasp the complexities and nuances of the domestic process of interest formation and organization.

Comparison at the domestic level draws on the idea that the trade agenda alters the incentive structure of a wide range of actors while also imposing new challenges and requirements on state and non-state actors. Yet, and given that effects cannot be established beforehand, it is important to acknowledge how both elements interplay in particular circumstances. In order to capture the interrelation between the regional/international and the domestic arenas, an in-depth study of how state and non-state actors interrelate in two countries, having assumed both symmetrical and asymmetrical trade agreements, is needed.

This research design is thus intended to contribute to the recent call for a more productive re-engagement of international and comparative political economy. Scholars have lately advanced a meshing of perspectives and approaches in both fields to promote a more constructive understanding of political economy, which is not only international but comparative as well. At the same time, and by focusing on two Southern Cone countries, we recognize the particular characteristics of state-societal relations in the region and attempt at building a detailed analysis of the specificities of individual countries to widen the comparative basis in the study of IPE outside the advanced industrialised world.

In the following, we discuss the operationalization of our independent variables, which refer to these two different levels: the domestic and the international.

a) The international arena

The deepening of the trade agenda together with the multiplication of negotiation scenarios have made of Latin America an interesting “spaghetti bowl”. Countries in the region have engaged in a wide variety of activities intended to promote and advance trade liberalization. These practices have taken place at three levels. A first level was given by the commitment to unilateral trade liberalization, which was then complemented by a second level

represented by regional trade agreements, including symmetric and asymmetric negotiations, while a third level corresponded to multilateral commitments undertaken at the WTO.

Our study focuses on the multilateral and regional liberalization commitments and explicitly distinguishes South-South or symmetric agreements from North-South or asymmetric ones. This distinction builds on the fact that these three various trade negotiations take place at different arenas or levels, in each of which different actors – showing also important variations in terms of their number – are involved. Regarding WTO negotiations, the multilateral forum brings developing and industrialized countries together in a common scenario. However, and even if developing countries outnumber the industrialized ones, their participation in this forum does not always imply influence on the decision-making process and hence, on the regulatory rules thus made. This character of asymmetry is also present within North-South regional trade negotiations, being South-South negotiations the only space so far where developing countries come to negotiate exclusively with rather homogenous parties. This affirmation does not ignore the fact that there are important differences across developing countries as well. Yet, we believe this North-South divide – which is still valid in an increasingly globalized and liberalized world – constitutes a deeper socio-economic and political cleavage than the divisions cutting across the South itself.

However, and within this study, when analyzing the mechanisms through which international and regional trade negotiations can influence domestic governance, we mainly focus on their different regulatory agendas. In this sense, our main argument is that rather than promoting convergence in terms of the public-private articulation established at the domestic level, these different regulatory agendas alter the incentive structures of different actors and in turn, lead to divergent public-private articulation patterns.

The literature has widely acknowledged the differences across these different types of negotiations. First, and regarding the multilateral trade agenda, this has gone beyond the reduction and elimination of trade tariffs and the exchange of goods. This new agenda entails deeper pressures for harmonization and convergence in regulatory frameworks, especially in services and intellectual property rights, being the negotiation of NTBs a centrepiece of multilateral trade negotiations. However, and given that consensus is difficult to achieve at the WTO, major disagreements between developing countries and

their industrialized partners have prevented the establishment of multilateral regulations in several policy areas. Second, these non-agreements at the multilateral level provide the core of most asymmetric regional trade agreements, which pursue trade expansion, notably in the area of services, involving trade rules that extend far beyond consensus at the WTO. Thus, these negotiations increasingly entail new trading rules that deepen free trade among the countries while at the same extending regulatory standards to new areas. In the region, both the United States and the EU have pursued this WTO-plus strategy [Phillips 2003; Grugel 2004; Botto & Bianculli 2009]. Finally, symmetric or South-South agreements mainly revolve around market access – also a central element in asymmetric negotiations – but easier to achieve given the similar economic structures and technological capabilities among the parties. In this sense, they offer a level playing field.

Moreover, when analyzing symmetric vis-à-vis asymmetric trade agreements, Bull [2005] has found that these two types of negotiations have led to two different emerging forms of regulation in Latin America. On the one hand, asymmetric or North-South agreements have more intensely promoted the “*transnational enforcement of national regulation*”. This regulatory mode emerged with the NAFTA and was continued, though with some variation, in the various FTAs established between the United States and different Latin American countries, either on a bilateral or plurilateral basis, as in the case of the Dominican Republic-Central America FTA (CAFTA-DR) and the Chile-United States FTA. In general terms, these agreements show a minimum level of regional institutions and explicitly reject the establishment of common standards, while also recognizing the right of each of the parties to adopt their own legislation and regulatory standards. However, the parties are committed to fulfilling these domestic rules and in case of failure to do so, they can be subject to monetary and commercial sanctions.

On the other hand, South-South or symmetric agreements have more actively promoted the emergence of “*collective national regulation*”: partners collaborate in the development of common rules and standards that are then to be established and enforced at the domestic level or that may lead to the creation of parallel institutions at the national level. Thus, collective national regulation promotes the gradual coordination of national politics and it is intended to regionalize particular policy areas, being the national actors and institutions the sole responsible for their application and control. MERCOSUR is an example of this regulatory mode: even if governments are reticent about giving away areas of sovereignty in

order to create supranational institutions, they have articulated or regionalized certain policy areas, despite the existing disparities in terms of their scope and impact⁴¹.

Finally, multilateral trade negotiations under the WTO format are intended to transfer the design and enforcement of rules typical of the Westphalia state to the transnational arena, where the rule-maker is clearly detached from the rule-follower as the legitimacy of the former is assured by the mandates conceded by member states. Rules thus established are formal and binding, even when in some cases temporal or partial exceptions are granted reflecting the political nature of the process. In addition, the WTO relies on various tools and mechanisms to make effective the binding nature of multilateral rules. In other words, the WTO can impose the adoption and even coerce states into fulfilling these rules and regulations [Djelic & Kleiner 2006:304-305]. Precisely, one of the most important innovations introduced with the creation of the WTO is the judicialization or legalization of the trade policy agenda through the dispute settlement system. Building on this analysis, and on the categories we have just presented we believe the regulatory patterns promoted by the WTO constitutes a particular mode of regulation, which we label “*multilateral regulation*”.

Within this scenario, we have thus identified three types of trade negotiations that help us explain the different patterns of political cooperation and coordination at the domestic level. The next table presents a disaggregated picture of these three approaches to trade liberalization.

⁴¹ In Central America, the Central American Integration System (SICA, Sistema de la Integración Centroamericana) has also promoted the emergence of collective national regulation. Created in 1991, its objective is to gradually and progressively integrate the activities of the different regional institutions and bodies. These include, among others, the Central American Court of Justice (CCJ, Corte de Justicia Centroamericana), Central American Parliament (PARLACEN, Parlamento Centroamericano), Executive Secretariat of the Central American Commission for Environment and Development General Directorate for Environment (SE-CCAD, Secretaría Ejecutiva de la Comisión Centroamericana de Ambiente y Desarrollo). For further details, see www.sica.int, accessed 12 March 2010.

Table 4.2. Categorization of trade agreements

Type of Agreement	South-South	North-South	Multilateral (WTO)
<i>Agenda</i>	Market Access	Market Access + WTO-plus regulatory harmonization and convergence	Regulatory harmonization and convergence
<i>Regulatory mode</i>	Collective national regulation	Transnational enforcement of national regulation	Multilateral regulation

Source: The author.

As the trade agendas gain in depth and complexity, they affect the interests of a larger number and more heterogeneous domestic interests, exceeding thus the traditional breach between free-traders and protectionists. In addition, they demand increasing technical information and expertise, making the need for collaboration and coordination more apparent. As a result of these various challenges and requirements, different public-private articulations will emerge.

In the case of symmetric trade negotiations, this will bring Southern partners together in a level playing field. Being market access and tariffs the main focus of these regional negotiations, at the domestic level, these will elicit the more traditional lobby strategy by business actors. As these negotiations do not include a specific target – namely, the creation of an FTA – and tend to be more general and shallow than North-South trade negotiations, they remain extremely sensitive to sectoral pressures, especially from import-competing interests. In this case, demands will delve around either liberalization or protectionism so that distributional coalitions will tend to prevail. At the same time, governments will consult with business to collect specific information at the sectoral level. This competitive strategy on behalf of business actors combined with the state’s anchoring strategy will more intensely lead to a “*pressure public-private articulation*”. These South-South agendas will only marginally call the attention of labour and other CSO representatives actors. Among these, labour actors employed in industries demanding protection are expected to become more active.

The almost total absence of these actors contrasts to the more active role they intend to play in asymmetric regional negotiations. These negotiations generally call the attention of a

wider range of non-state actors. However, incentives for participation will differ across actors. A heterogeneous group of non-state interests, less concerned with traditional distributional issues will come under what has been termed “transformational coalitions”. More interested in the recipe for making the pie, rather than in the ways in which it is distributed, these non-state actors’ agendas are generally at odds with the other players, government and business. However, their stances and final strategies can also vary. While those non-state actors privileging collaboration with the state in order to promote policy change will adopt a collaborative strategy, those raising a more principled agenda will veer towards a competitive strategy. On the business side, we expect actors to show a more open stance towards these negotiations as they entail gaining access to Northern markets.

Clearly, these demands in the societal arena will combine with the state’s own requirements. Given that these agendas include market access together with the harmonization and convergence towards WTO-plus commitments, states are faced with two compelling necessities: legitimacy and information. Even if from a political point of view, legitimacy is important, when negotiating critical economic regulatory issues information and expertise are crucial. Thus, non-state actors having recourse to these are expected to fulfil the requirements of the government, both through formal and informal mechanisms, giving way to a “*cooperative public-private articulation*”. Combined with the state’s interest in building its own legitimacy, collaboration on the supply side will promote a “*formalistic public-private articulation*”.

When it comes to the multilateral arena, we expect both business interests and civil society actors tend to be less prone to demand participation. Clearly, WTO norms and standards, though having a direct and strong impact on domestic regulatory institutions, are perceived as being remote negotiations, whose policy outcome is still more uncertain. In this context, we will find state actors pushing and asking for information and technical expertise, which in this case, will be most probably provided by non-state actors having strong technical capabilities and expertise. In general, the resulting combination of these two actors’ needs and strategies will entail a “*cooperative public private articulation*”.

When comparing across the different types of trade negotiations, asymmetric trade regional negotiations are expected to produce more complex and diverse patterns of public-private articulations, mainly because they activate a larger and more heterogeneous array of non-

state interests. In turn, this faces the state with the need to provide new participation mechanisms leading to the configuration of different political opportunity structures.

b) The domestic arena

From an international perspective, an understanding of domestic governance requires a comprehension of the mode of insertion of a particular country in the regional and international political economy, that is to say, the type of negotiations it is involved. This comparison is of interest because while some countries privilege the establishment of asymmetrical bilateral agreements with developed countries, other countries veer towards processes of South-South integration.

As we have already argued, Latin America offers an interesting and vivid example of the revitalization of old regionalist schemes and the development of new regionalism initiatives within the context of the multilateralization of trade at the international level. Thus, within the region, the study focuses on the Southern Cone, and within this, the analysis is narrowed down to two countries: Argentina and Chile.

By concentrating on these two countries, we guarantee a minimum of rather similar background conditions, thus circumventing the effects of possible varying influences [Van Evera 1997:52]. These common background conditions refer to these two countries' political history, their political systems, dominant models of development, and modes of economic organization as part of the Southern Cone model [Phillips 2004b:8]. However, these similarities should not conceal the undeniable structural differences regarding their economic size, the intensity of integration into the world trading system, and the commodity and regional composition of foreign trade flows; all of which can be affected by policy decisions in the long term but can be taken as relatively constant in the short term [Bouzas 2006a].

The table presented below illustrates these important differences regarding some common basic indicators.

Table 4.3. Basic indicators in Argentina and Chile

	Area (sq. km)	Population, in millions (with world ranking)	Gross national income (GNI) per capita / PPP in current international dollars (with world ranking)	Gross domestic product (GDP) in millions of United States dollars (with world ranking)
Argentina	2780,400	39,876 (32)	14,020 (78)	328,385 (29)
Chile	756,630	16,758 (57)	13,270 (81)	169,458 (46)

Source: The author, based on World Development Indicators Database, World Bank, 2009.

In spite of these differences, these two upper-middle economy countries show important similarities, which provide a comparable playing field for our research aim.

First, and from an economic point of view, they have both implemented extensive market reforms to counteract inflationary pressures and increasing deficits in the balance of payments that followed the exhaustion of the ISI model. In both countries, the reform process started in the 1970s, under military rule. Chile sustained this reform path during Pinochet's administration and the subsequent democratic governments led by the Concertación, being reversals only short-lived. On the contrary, in the case of Argentina, reform would show progressive and regressive trends until the 1990s. Only then, the implementation of the market reform would be finally achieved in a systematic manner under the second democratic government, led by Carlos Menem and the then minister of Economy, Domingo Cavallo.

Second, and in political terms, during the 1980s both countries experienced a transition towards political liberalization and democratization. Interestingly, and contrary to what had been the case regarding market reforms, from the point of view of transition to democratic rule, Argentina made an early move in 1983 while Chile would have to wait for another six years for the removal from power of the military regime.

Finally, both countries pursued particular strategies to integrate in the regional and international political economy. Bearing a quite similar objective, they followed quite distinct models.

In the case of Chile, the implementation of a flat and low import tariff rate was carried out by the military regime already in 1985⁴². Later on, this unilateral liberalization was complemented with the negotiation of trade agreements to sustain and promote this export-led growth model. This second strategy was launched by the first democratic government, who would first pursue trade agreements with Latin American countries, “*el barrio*” and would then promote negotiations with extra-regional countries, including Asian countries, but also industrialized partners, namely the EU and the United States. In this sense, Chile has been a keen supporter of New Regionalism since the mid-1990s.

Argentina’s first step towards regional integration, taken as a way to insert in the world economy, was the establishment of the Programme of Trade and Economic Integration (PICE, Programa de Integración Comercial y Económica) with Brazil in 1986. The PICE entailed the negotiation of sectoral agreements to stimulate bilateral trade on the grounds of complementarities and political symmetry, to foster changes in the efficiency of production in key economic sectors through the expansion of bilateral investment flows, and to promote cooperation in areas of critical importance for joint economic development. However, this cautious approach to regional trade liberalization⁴³ would be replaced by a more radical approach in 1990 when both countries would move toward the implementation of an automatic, linear and universal mechanism of tariff elimination within the zone [Lavagna 2001], being the final aim the creation of a common market in December 1994: MERCOSUR. Today, the bloc constitutes a customs union that aspires to become a common market, an objective that is to be accompanied by the promotion of structural convergence, competitiveness, and social cohesion of the least developed regions⁴⁴. In this sense, it constitutes an ambitious attempt at regional integration, which

⁴² While during the 1970s, the exchange rate was intended to anchor inflation, a decade later a high real exchange rate was intended to encourage export growth and diversification [Meller 2006].

⁴³ The underlying logic of the PICE was one founded on gradualism, experimentation, and step-wise liberalization in specific sectors, allowing thus adaptation periods for more sensitive sectors.

⁴⁴ In order to fulfil these aims the MERCOSUR Fund for Structural Convergence (FOCEM, Fondo para la Convergencia Estructural del MERCOSUR) was created in 2004 and regulated a year later. FOCEM relies on an annual budget of US\$ 100 millions and is intended to promote structural convergence, develop competitiveness, promote social cohesion – particularly in the smaller economies and less developed regions – and “*to support the operation of the institutional structure and the strengthening of the integration process*”. Once the objectives have been achieved, any resultant structures or activities will be financed by the member states in equal parts. Until then, the FOCEM composition will take into account each country’s GDP. For further information, see www.focem.mercosur.int, accessed 12 August 2009.

has also served as the platform upon which Argentina has faced other trade negotiations, especially with the EU and United States within the framework of the FTAA.

In sum, though facing a similar international context, Argentina and Chile have pursued different trade strategies, showing important disparities in terms of the degree and intensity of the trade liberalization process. However, both countries have engaged in regional – both symmetrical and asymmetrical – and multilateral negotiations.

The next table provides a clear illustration of these differing strategies and presents the list of trade agreements we have focused on in both countries⁴⁵.

Table 4.4. Selected trade agreements in Argentina and Chile

	Argentina	Chile
<i>South-South</i>	MERCOSUR -Chile MERCOSUR -México MERCOSUR -India	Chile-México Chile-MERCOSUR Chile-China
<i>North-South</i>	FTAA MERCOSUR -EU	FTAA Chile-EU
<i>Multilateral</i>	WTO and the Doha Round	WTO and the Doha Round

Source: The author, based on the Organization of American State's Foreign Trade Information System, www.sice.oas.org/agreements_e.asp, accessed 23 March 2010.

Through our research design, we intend to see to what extent these differences across countries persist when public-private articulations are analyzed or on the contrary, actors show similarities in terms of the ways in which they define their interests and strategies in both domestic scenarios. In other words, to what extent do differences across national varieties of capitalism persist [Hall & Soskice 2001b]? In addition, and given that globalization and national governance are interdependent, do actors rely solely on embedded strategies? On the contrary, do they promote new institutional arrangements to adequately face the specific challenges trade negotiations bring about?

These transformations cannot be understood in a vacuum. In fact, they are conditioned by institutional structures and particular sets of political and policy choices on the part of the different actors involved. The timing and nature of the changes introduced in the trade

⁴⁵ The complete list of trade agreements in force in both countries is provided in Annex 1.

policy-making process in order to face these new challenges and requirements depend heavily on the historical development of domestic political processes. The weight of institutional legacy or “*path dependency*” [Pierson 2000] may help explain why many countries prefer modernizing existing institutional arrangements and adjusting them to the new needs, rather than breaking with the past and creating a completely different organizational structure. However, this must be understood in terms of the complex interaction between continuing national specificities and the reconfiguring influences of globalization and regionalization processes. This is what Phillips suggests by the term “*path conditioning*”: the particular adaptation of national political economies to these new structural contexts is mainly conditioned by their own historical, institutional, and social configurations, and by politics [2004a; 2005].

By focusing on these two countries, our analysis is intended to provide more information on the domestic process of interest definition and articulation; certainly, a challenge given the weakness of political and legal institutions and the opaque economic decision-making process in Latin American countries [Ventura-Dias 2004]. Through the systematic comparison across the three types of negotiations and the two Southern Cone countries, our research is intended to shed some light into the ways in which interests and strategies are defined and articulated across these two countries and *vis-à-vis* specific trade negotiations.

Building on this idea of path conditioning, we expect countries with a steady and long development path towards free trade to have a more “*cooperative public-private articulation*” between state and non-state actors. The clear commitment of the state in favour of a long-term and strategic approach to free trade will lead to a constant demand of sectoral information and more importantly of detailed technical information and expertise as trade negotiations involve increasingly complex agendas. The state will thus develop an anchoring strategy leading to more institutionalised and formalized mechanisms of consultation and dialogue, which will coexist with informal channels and procedures. In turn, these mechanisms will offer important selective incentives for non-state actors who are thus more prone to invest in their institutional capabilities. In those countries where governments show a fragile stance towards trade liberalization and cannot overcome temporary political shifts, state actors will find it difficult to promote such an articulation, and consequently non-state actors will lack an important incentive to invest in their own

organizations. Whereas in the first case, a learning process is expected to lead to long-term “*cooperative public-private articulations*”, in the second case, this type of articulation will be only intermittent and usually accompanied by the more traditional “*pressure public-private articulation*”. Moreover, and building on this learning process, we believe that in countries where cooperative articulations have emerged and consolidated along time will more easily open channels of participation to a wider spectrum of non-state actors, though these may not show the same degree of stability and institutionalization.

4.4. The hypotheses

In the light of the theoretical assumptions and concepts presented in previous sections and the operationalization of our research design above discussed, we now proceed to present and define the hypotheses guiding our study.

As already argued, the notion of public-private articulation is conceptualized as including institutional elements but at the same time is intended to go beyond this strictly institutional dimension, taken as the reference framework where actors interact and relate to each other. On the one hand, it incorporates an approach focused on the actors, their institutional leadership, needs, and capabilities, together with the strategies of interaction or two-way games established between state and non-state actors. On the other hand, it introduces the concept of political opportunity structure as a mediating or intervening element between both dynamics.

Based on these elements, we assimilate the notion of governance to that of public-private articulation. The literature has strongly emphasized the idea of governance as a process of interaction and coordination between state and non-state actors. Building on these assumptions, in the course of this research, we have examined the impact of different trade negotiations on the domestic governance by looking into the various public-private articulation patterns these negotiations trigger at the national level in Argentina and Chile.

First, we have seen that these various trade negotiations occur in different institutional settings, where differences also emerge in terms of the number and type of actors involved. Moreover, the particular agendas and regulatory forms promoted by each of these different types of negotiations also exhibit particular traits. This first characterization of regional –

symmetric and asymmetric – and multilateral trade negotiations leads us to the initial set of hypotheses:

Hypothesis 1: Regional – both symmetric and asymmetric – and multilateral trade negotiations promote different agendas and regulatory forms. These will lead to different patterns of interest definition and collective action strategies, giving thus way to diverging public-private articulation patterns at the domestic level.

What specific elements account for this variation in the public-private articulations? The answer revolves around domestic vs. international variables and, hence, between comparative politics and IPE. However, in the context of increasing globalization it seems impossible – and even counterproductive – to establish rigid demarcations between the domestic and the international levels. Rather than sealing levels of analysis off from each other, our explanations are intended to weigh the role of international factors vis-à-vis domestic ones.

Building on the dialogic approach to comparative and international political economy, we argue that these three different types of trade negotiations have a different effect on domestic governance. To the extent that each of these promotes particular agendas and regulatory forms, they give way to specific public-private articulations. However, when looking more specifically into these three types of negotiations, the literature has shown that asymmetric regional negotiations have led to deeper reforms in the trade policy-making process, mainly because of their WTO-plus agendas that clearly impinge on the role of the state in the economy and, consequently, impact on state-societal relations. Taking this insight to a previous stance, that of the launch of trade negotiations, we argue that the need of the state to build on its capabilities and legitimacy promote the recreation and establishment of various strategies towards business and civil society actors. Combined with the particular incentives and collective action strategies deployed by the latter, these will give way to more heterogeneous patterns of public-private articulations.

This is mainly explained by the fact that trade negotiations including not only deeper commitments in terms of trade liberalization and regulation, but also regarding the participation of non-state actors face governments in developing countries with the need to fulfil two crucial deficits. On the one hand, they will develop an anchoring relationship with those non-state actors capable of providing them with highly technical information and expertise. On the other hand, state actors will also deploy a boarding relationship

directed at larger societal groups in an attempt to gain support and legitimacy, but also to fulfil a requirement placed by Northern counterparts. The final pattern of public-private articulations will clearly depend on the abilities and capabilities of non-state actors to provide the state with the required assets. To put it succinctly, given the diverse challenges states face, asymmetric regional trade negotiations will more intensely favour the emergence of a larger variety of public-private articulations.

Hypothesis 2: Asymmetric trade negotiations will promote more variegated patterns of domestic trade governance because of the resource interdependency. Public-private articulations will increase in number, intensity, and institutionalization because state actors need to fulfil a wider range of needs.

However, the way countries adapt to these international pressures is mediated by domestic institutional arrangements. In other words, existing national differences may affect the impact of regional and international trade negotiations on domestic trade governance.

From a *path dependency* or *path conditioning* perspective, the particular adaptation of national political economies to the regional and international structural context is conditioned by specific sets of political and policy choices on the part of states and non-states actors. In addition, their own historical, institutional, and social configurations determine and, to some extent restrict, the options available to these actors. In this sense, in countries where a long-term and strategic approach to free trade has been in place, the state will develop an anchoring strategy leading to more institutionalised and formalized mechanisms of consultation and dialogue with non-state actors. In turn, this constant demand for information – from sectoral to information that is more technical – constitutes a crucial incentive for non-state actors to invest in their organizational and technical capabilities. This incentive will be absent in countries where state actors' commitment to free trade policies is relatively fragile and ambivalent.

Hypothesis 3: Policy legacy is significant: Countries with long-term and steady free trade policies will more markedly promote continuous and stable cooperative articulations with non-state actors.

These hypotheses are intended to account for the public-private articulations that emerge in the trade policy area in the light of the new dynamics and complex issues included both in regional and multilateral trade negotiations.

Comparison across trade negotiations and across countries will allow us to assess the importance of external pressures vis-à-vis national traditions, discussing thus to what extent domestic traditions are a decisive factor or, on the contrary, international pressures exceed the weight of domestic institutionally established arrangements. In principle, and building on this perspective, it might be expected that as the trade agenda gains in complexity and multilateralization, domestic factors would have a decreasing relevance vis-à-vis international pressures, so that public-private articulation patterns will tend to show more subtle variances across countries.

CHAPTER 5

SETTING THE SCENE: HISTORICAL AND POLITICO-INSTITUTIONAL LEGACIES

Taken as the articulation among state and non-state actors, the notion of governance implies a complex, dense and multidirectional phenomenon, where the distribution of responsibilities shows certain flexibility and the limits between the private and public spheres are increasingly fluid. However, the interaction and coordination between state and non-state actors can vary not only across time but also across countries and across different policy areas within a specific country. Therefore, it might be expected large variation in spatial and geographical terms, and according to the specific policy area. Building on this, we now focus on the contextualization of the empirical research: the comparative analysis of trade governance across negotiations in Argentina and Chile.

The next sections will lead us into the historical, political, and institutional dimension of state-society interactions in both countries over the second half of the 20th century and the early years of the following one. The aim of this analysis is twofold. On the one hand, the objective is to lay out a mapping of the political and institutional context corresponding to each of these countries, and to provide a thick description of the actors and their traditional interactions within these particular political and institutional settings, on the other. Finally, an empirical and comparative examination of the political dynamics in both countries is presented.

5.1. Argentina: fragmented and highly politicized governance

Throughout most of the 20th century, Argentina's political economy was shaped by a succession of political and economic crises. In political terms, this instability goes beyond the so-called "democracy-authoritarianism pendulum" and refers to the high volatility in public policies. Each government – civilian and military alike – attempted policies very different from its predecessor. Moreover, in each policy area, being this more prominent the economic realm, there was great diversity not only between democratic and

authoritarian governments but also within them, as reflected in role of the state in the pursuit of development, industrial and trade policies, capital-labour relationships, and the interaction between domestic and foreign markets [Acuña 1998].

When it comes to the articulation between state and non-state actors, we find that these crises were the result of the more traditional sectoral clash between export agriculture and industry, but also of class conflicts between labour and capital. These clashes and power struggle would be a permanent trait of Argentine's history and, being the state the "natural" mediator, these cleavages would be exacerbated and reinforced depending on the state inclinations.

a) Peronism, industrialization and the politicization of governance (1946-1955)

Already by the 1930s and following a more general trend in the region, Argentina launched a process of industrialization through import substitution as a response to the collapse of international trade and finance generated by the Great Depression. However, the initial steps towards ISI in the 1930s and 1940s did not entail a rupture with the hegemonic agro-export model in place since the late 19th century [Villanueva 1972; Schvarzer 1996a]. In fact, state incentives remained concentrated on already established nondurable good industries [Bulmer-Thomas 2003] while also supporting the production of beef and wheat [Smith 1983]. Hence, as long as this policy choice did not alter the country's agricultural export model imposed by the rural elite since 1860, the economic and political clout of the landowners was not radically altered either [McGuire 1997; Silva 2007]. During this period, the landowning elite – especially those in control of the Argentine Rural Society (SRA, Sociedad Rural Argentina) – came again to be heavily represented among political powers and decision-makers [McGuire 1997].

Despite these ambivalences, changes in 1930⁴⁶ accelerated the emergence of domestic industry and the development of an urban working class. Both processes changed the

⁴⁶ The economic crisis was accompanied by intense political unrest, leading to a military coup in September 1930, which would put an end to Argentina's first experience of liberal representative government [Rock 1972; 2005]. Moreover, it inaugurated the 1930-1943 period known as the infamous decade (*la década infame*) because of the electoral fraud, political repression and government corruption, which eroded the legitimacy of liberal democratic institutions [Halperin Donghi 2004].

distribution of political power and provided the basis for a wide populist coalition, formed by relatively new sectors [O'Donnell 1979]. Within this context, Peronism (1946-1955)⁴⁷ reinforced the ISI model. A large collection of policy instruments was implemented to deepen the industrialization process, including tariff protection, exchange and price controls, and licences favouring the import of those capital goods and inputs the industry required. Even though these were not part of an organized public policy where industries were chosen according to particular development objectives, Peronist industrial policy came to be a turning point in this area [Belini 2009]. Mainly financed through the Industrial Bank (Banco Industrial)⁴⁸, industrial policy was intended to encourage a more diversified economy and less focused on external markets as the driving force of Argentina's economy in order to promote a better redistribution of wealth and social stability.

In addition, and in an attempt to establish government control over international trade, the Argentine Institute for Trade Promotion (IAPI, Instituto Argentino para la Promoción del Intercambio) gave the state the monopoly over the export of key agricultural products⁴⁹. In 1946, resources started to be transferred from agricultural exporters to industrialists and urban workers through the IAPI which acted thus as the unique agent for foreign sales of beef and grain. The IAPI bought these commodities from domestic producers at artificially low prices and sold them at the high prices then prevailing in international markets [Mainwaring 1986]. The resulting windfall was to subsidize national industries, public employment, and the incipient welfare state.

As the industrialization process intensified, the matrix of state-society relations gained in complexity. The industrialization process resulted in the creation of an important union movement and the diversification of business interests, all of which challenged the monopolistic power of representation that traditional associations had enjoyed until then.

⁴⁷ After being part of the 1943 military coup, where he had occupied several important positions, including the Vice-Ministry war, Head of the newly created Secretary of Labour, and Vice-President and Minister of War, Juan Domingo Perón became president in an election that restored democracy in 1946.

⁴⁸ The Banco Industrial was created in 1944 to provide credit for the industrial sector. Already in the 19th century, industrial interests demanded the state the formulation of different measures to promote the sector, including the widening of credit for small producers. Several attempts were made to create an institution to cater for the specific needs of this sector, which contrasted with those of agricultural and commerce activities – and that had already been attended. For a detailed analysis of this development see Rougier [2001] and Basualdo [2005].

⁴⁹ Created in 1946, the IAPI was the heir of some of the functions that had been assigned to the Corporation for the Promotion of Interchange (Corporación para Fomentar el Intercambio) that was established in 1940 to promote non-traditional exports, especially towards the United States, to finance the import of automobiles and agricultural machinery [Lucángeli 1989:30, fn. 16].

In addition, the creation of neo-corporatist institutions and the implementation of populist policies generated strong state competition with the private sectors and anti-statist and anti-populist sentiments among well-established, large-scale business elites.

By the time Peronism came into scene, business associations had a long and active tradition, being the SRA and the Argentine Industrial Union (UIA, Unión Industrial Argentina) the major political actors representing the landowning elite and industry interests, respectively. Created in 1866, the SRA brought together the most important export producers of the Pampas and constituted a particularly homogeneous and solid organization. Until 1946, the SRA exercised a remarkable lobbying power and enjoyed close relations with most governments⁵⁰. Moreover, it managed to maintain its hegemonic role and a close articulation with the state, even in a context of increasing competition as new organizations emerged to account for more heterogeneous interests⁵¹. In addition, the SRA had been closely related to the UIA, which, in fact, was partly result of the diversification of agricultural business into industrial endeavours – mainly, food processing – to complement rural production⁵². Hence, their performance and evolution resembled that of a club rather than a business organization, leading to the formation and consolidation of an elitist management based on the economic clout and socio-political relations, irrespective of their sectoral representativeness [Schvarzer 1996b]. This situation would be increasingly complex after 1946, when both sectoral peak organizations had to face increasing competition from organizations representing interests eschewed by them, an important union movement, and a more intrusive state.

⁵⁰ Between 1910 and 1943, five of nine presidents, over 40% of all ministers, 12 of 14 ministers of agriculture, and roughly 15% of all members of Congress belonged to the SRA [Smith 1969].

⁵¹ Since 1912, several rural organizations were created, starting with the immigrant-led Argentine Agrarian Federation (FAA, Federación Agraria Argentina) and the Confederation of Rural Associations of Buenos Aires and La Pampa (CARBAP, Confederación de Asociaciones Rurales de Buenos Aires y La Pampa) that stood for small cattlemen. In 1943, CARBAP together with other three regional federations formalized the creation of Argentine Rural Confederations (CRA, Confederaciones Rurales Argentinas). See, among others, Scarnazella [1984], Waisman [1987], Palomino [1988], and Manzetti [1992].

⁵² The creation of the UIA was preceded by the Argentine Industrial Club (Club Industrial Argentino) in 1874 and the Argentine Industrial Centre (Centro Industrial Argentino) established by a group of dissidents of the former in 1878. These associations were divided over different issues including ideology and national political factions, but also in terms of size and sector. While the former included small-scale artisans, the latter reunited members from agriculture and commerce [Schneider 2004a]. In 1887, representatives of these two associations decided to merge into the UIA. For a detailed analysis of the early history of this organization and the country's industrial development see Schvarzer [1991; 1996a] and www.uia.org.ar, accessed 27 December 2009.

Articulation with the state would prove conflictive and unstable. Hegemonic rural interests, as represented by the SRA, CRA, and CARBAP that had enjoyed substantial income shares of the national economy, saw a deterioration of their economic and political positions and engaged in constant struggles with the state against interventionist policies. Agricultural interests were neglected and even discriminated as they were forced to subsidize industrialization and large-scale industry tied to them [Waisman 1987]. On the other hand, the state provided significant economic incentives for the organization of small and medium industrial associations to counterbalance the traditional power of an increasingly opposing UIA. Several initiatives were promoted but these were only short-lived and did not mature into full-fledged institutions⁵³. In addition, the UIA had to face mounting competition from business associations and chambers whose interests did not always coincide with those of the industrial elite represented by the peak organization. However, and in contrast to the agricultural interests, the industrial sector's lack of a hegemonic group reinforced permanent intra-industrial conflict [Acuña 1998].

Along these years and within this more general climate of confrontation, the state would alternately seek the support of business and labour representatives, and promote particular articulation mechanisms according to the government's perceived vulnerabilities. Thus, for instance, the General Economic Confederation (CGE, Confederación General Económica)⁵⁴, created in 1952, with the direct support of the government, was intended to supplant the UIA – which was intervened and finally dissolved in 1953 – and gather business support for the economic policy which, by then, was undergoing increasing difficulties as trade deficits and inflation rose. Moreover, the government also attempted to reduce its dependence on the unions in a context of declining labour productivity and mounting labour demands [Brennan 1998:96]. However, and given the highly centralized nature of the policymaking process, these mechanisms and channels were not institutionalized.

⁵³ These organizations included the Argentine Association of Production, Industry, and Commerce (AAPIC, Asociación Argentina de la Producción, la Industria y el Comercio, 1946-1949), the Argentine Confederation of Production, Industry, and Commerce (CAPIC, Confederación Argentina de la Producción, la Industria y el Comercio, 1950-1952) and the Argentine Economic Confederation (CEA, Confederación Económica Argentina).

⁵⁴ The CGE – which resulted from the fusion of CEA and CAPIC – was established as an encompassing peak association, representing provincial, small, and newer business, who supported a more nationalist and protectionist development strategy of ISI [Imaz 1967].

Institutionalization came at later stage through the creation of the Consultative Economic Commission (Comisión Económica Consultiva), which was intended to advise the government on matters of economic policy and where the CGE had a leading role in its various committees – namely, foreign trade, labour relations, prices, housing, cost of living, and transport, among others [Teichman 1981:150; Brennan 1998:96].

With the exception of this participatory mechanism – though biased towards amicable business institutions as actors opposing Perón were explicitly discriminated⁵⁵ – informality in the relation between state and non-state actors prevailed during these years. State actors privileged dialogue with associations representing specific sectors, of which the metalworking industry was the most effective. When not ignoring opposing interests, the government preferred to speak with individual industrial and agrarian representatives [Manzetti 1993:289]. A direct and one-to-one dialogue was thus pursued with business representatives who enjoyed personal influence with Perón [Schneider 2004a; Jáuregui 2005; Brennan 2007] and whose demands were mainly focused on promotional incentives or tariff protection [López 2006].

The absence of adequate mechanisms of public-private articulation and the direct interference of the government in business organizations contributed to the increasing division of business interests along political, rather than economic, positions. Highly politicized articulations between state and business actors would thus prevail [Schneider 2004a]. In this same line, the expansion of political participation and the opening to labour unions and workers was not accompanied by a strategy of stable institutional inclusion in the decision-making process. In fact, union support for Perón was led by the General Confederation of Labour (CGT, Confederación General del Trabajo) and was embedded in a wide range of material, organizational, and symbolic benefits⁵⁶, which excluded

⁵⁵ The UIA, the SRA and the Chamber of Commerce (CAC, Cámara Argentina de Comercio), all of which had explicitly backed the electoral alliance opposing Perón, were explicitly excluded from this participatory mechanism.

⁵⁶ In the 1940s, already from his position of secretary of labour and social policy, Perón sought the political support of rural and urban workers through the implementation of different policy instruments. Unions were provided with legal and technical assistance and even consulted on particular social and labour legislation. In terms of labour legislation, Perón enforced existing laws and regulations across the country and established labour courts, limited dismissal, and promoted severance payment. Regarding working conditions and workers benefits, paid holidays and vacations were generalized to the entire labour force, including an extra monthly payment each year – the “*aguinaldo*” – established by decree just before the 1946 presidential election. However, strategies also included the imprisonment of those leaders that disagreed with him [Matsushita 1983].

institutionalized and stable access to the decision-making process. In sum, under Peronism, no single political grouping was able to achieve sustained access to political power and decision-making processes [O'Donnell 1988:43].

b) The “Argentine Interregnum”: governance and institutional instability (1955-1983)

This growing politicization of the articulation between state and business actors and the difficulties of the institutional system to effectively channel these heterogeneous and conflicting societal demands escalated institutional overload to unprecedented levels. Partly, as a result, Perón was overthrown by a coup d'état in 1955 that ushered a period of persistent institutional stability.

From 1955 to 1983, the military and civil rotated through government while Peronist participation in politics remained outlawed. The country suffered since then the syndrome of ungovernability of a divided society [Collier & Collier 2002; Cavarozzi 2009] or an “impossible game” leading to the deadlock of the political system [O'Donnell 1979]. Based on the perceived threaten of the Peronist movement – which stood for the majority of the electorate – anti-Peronists banned Peronist candidates while at the same time were incapable of creating their own stable governing coalition. To put it succinctly, each camp could veto the other's project without advancing their own [Munck 1998].

In political economy terms, support for the ISI model went well beyond Peronism. The democratic government led by Arturo Frondizi (1958-1962) attempted to implement a moderate developmentalist program, which included the production of consumer durables and increased development of basic industry, being the focus on metallurgical and mechanic industries. In addition, incentives were established to develop a complex and integrated industrial system to be financed through FDI, namely, paper, cellulose, and basic chemical and petrochemical industries. At the same time, different initiatives showed the path towards an increasing opening to the world economy and the incorporation of the country in regional and world trade dynamics⁵⁷. However, this developmentalist program

⁵⁷ In 1956, Argentina negotiated entry into the IMF and WB, becoming thus a recipient of loans. By late 1958, the country adhered to the multilateral system of trade and payments, signed standby agreements with the IMF. At the regional level, Argentina actively promoted the creation of LAFTA together with Brazil, Chile, and Uruguay.

was only short lived as the government fell victim to the impossible game between the Peronist and Anti-Peronist camps. Even if the government had more or less clear policy aims, it lacked a majority to support it while policies were not broad enough to gain new support [Manzetti 1994]. A similar path followed Arturo Illia' (1963-1966) who would also fall victim to this legitimacy deficit.

In a context of marked institutional and political instability, the core aspects of economic policy were quite stable. Between 1955 and 1973, all governments – whether military or democratic - supported the ISI model. Industrial activity became the motor of economic growth, employment creation, and capital accumulation. Despite some differences regarding their particular stance towards agriculture – some of them were more hostile, and others more favourable to agrarian interests – economic policy combined industrial protection with some level of support for agro-export production [Frieden 1991a]. Some corrections and adjustments were made to the model and these were mostly undertaken by military governments that could more easily reverse inclusive social policy [Silva 2007]. In fact, rather than radically transforming economic policy, these were intended to resolve the recurring stop-and-go cycles marked by periodic balance-of-payment crises [Krueger 1995]. In sum, economic policy did not move decisively in any direction for long: it swung between expansionary populism and orthodox stabilization with the occasional attempt at compromise through heterodoxy in response to shifting political coalitions [Teichman 2001]. In turn, this led to grave and increasing political divergences and conflict, making it almost impossible to design and implement public policies with long-term horizons. The political system swung from side to side and as time went on, positions became more extreme [Frieden 1991a].

Between 1955 and 1976, politicization was the norm rather than the exception for most both business and labour actors. While the CGT had been totally aligned with the Peronist party, after the 1955 coup d'état unions closed ranks against anti-Peronists and the Sixty-Two Organizations (62 Organizaciones) was created within the CGT as they intended to lead what they called La Resistencia [Rock 1988]. However, the prohibition of Peronism and the strict control and censorship imposed on the labour movement after 1955, led to two important transformations. In the first place, Peronist labour leaders were displaced and second, a new labour Peronist movement emerged which gained certain independence vis-à-vis Perón and which was able to develop its own political strategy [Cavarozzi 2009].

While labour's behaviour remained vaguely democratic [Levitsky & Mainwaring 2006], in economic terms they more generally advocated an alliance between the national bourgeoisie and the working class and distributional policies. Based on their defensive and opposing strategy, the labour movement hindered the complete implementation and consolidation of the stabilization programs in the late 1950s and early 1960s, but failed to revert the important transformations the national economy had undergone since 1959, namely, the development of more capital intensive industrial sectors and more penetrated by FDI [Cavarozzi 2009:25-29].

During these years, the trade-union movement competed and sometimes found an ally in the business sector, which remained greatly fragmented and fractious, being the cleavage between them mainly political, though this also entailed deep differences in terms of the dyad protectionism-liberalism and regarding the role of the state and of business organizations in the economy. Just after Perón's ouster in 1955, the military government outlawed the CGE until 1958 alleging that it was a totalitarian association and the UIA was revived. In time, the UIA became more of an association for small, middle-sized, and more domestic market oriented industrialists, as major industries withdrew from the traditional sectoral organization. In alliance with the anti-Peronist Coordinating Association for Free Businessmen's Institutions (ACIEL, Acción Coordinadora de las Instituciones Empresariales Libres, 1958-1973)⁵⁸, large economic actors formed the Argentine Entrepreneurial Council (CEA, Consejo Empresario Argentino). The articulation of the CEA was a clear reflection of changing patterns of accumulation in Argentina. This new organization brought together large conglomerates or *grupos económicos* in the Argentine political vernacular⁵⁹, most of which had emerged around dynamic medium-size companies established in the 1950s and managed to expand and diversify through state incentives and

⁵⁸ This peak association, which brought together the big landed and commercial industrial interests represented by the SRA, UIA, and CAC, among other organizations representing banking and stock market interests, was created following Frondizi's revival of the CGE as agreed in the political pact signed with Perón. As part of this pact, the developmentalist faction of the Radical Party led by Frondizi obtained electoral support of Peronism in exchange for the legalization of both the CGE and the CGT.

⁵⁹ These conglomerates emerged in two different moments. A first wave blossomed during the golden years of the agro-export model and was overwhelmingly concentrated in agribusiness. This included groups like Bagley (1877), Alparatas (1883), Bunge & Born (1884), Garovaglio & Zorraquín (1886), and Braun & Madanes (1895). The second wave, which emerged during and after the Second World War, concentrated in heavy industry, construction, oil production, and services and included Acindar (1942), Techint (1946), Pérez Companc (1946), Bridas (1948), Arcor (1951), Macri (1952) and Massuh (1975). For a detailed analysis of the origins, evolution and composition of these different conglomerates see Manzetti [1994], and specially the insightful studies by Schvarzer [1977; 1995; 1996a].

subsidies to promote exports. These sectors developed technical abilities and managed to export part of their product already in the late 1960s [Bisang & Kosacoff 1995]. In time, the economic clout of these conglomerates would consolidate, playing a major political role in economic decision-making [Viguera 2000].

Whereas the CGE called for a strong involvement of the state in the economy, the participation of labour in the elaboration of socioeconomic policy and a reduced presence of multinational capital in strategic areas, ACIEL demanded a minor role for the state in the economy and society and argued that multinational capital was central to the development process. These irreconcilable differences led to continued conflict between the CGE and ACIEL and their respective associations⁶⁰. Both were trapped in a web of competing political and social alliances while the resolution of these conflicts depended on the settlement of political struggles at the national level. Already by the late 1960s, industrialists recognized that these political divergences reduced their influence on the decision-making process [Freels 1970]. Whereas their failure to intervene effectively in politics was partly explained by the lack of unity and consensus among business actors, this was also explained by the context of institutional and political instability. Being deprived of institutional access to the decision-making process, business associations failed to develop institutional strength [Schneider 2004a]. This contrast to the situation of the dominant conglomerates under the CEA, whose economic and political clout was enhanced as their oligopolistic control of the key markets grew [Manzetti 1994]. Within a more domestic market orientation, by the early 1970s the UIA and the CGE would assume a more critical voice to a what they considered the “denationalization” of the country’s industry and would even sign a joint document opposing free trade with Paraguay [Brennan 2007].

By then, the shortfalls of inward-looking industrialization were quite evident as Argentina’s macroeconomic performance worsened severely while the country increasingly lost ground in international trade [Ablin & Bouzas 2004]. Protectionism had created overvalued and

⁶⁰ There were increasing tensions and divisions within and between business associations. Within ACIEL, differences emerged among the UIA, SRA, and CAC that led to the disaffiliation of the UIA and to the dissolution of ACIEL in 1972. Some years later, it would be replaced by the Permanent Assembly of Business Associations (APEGE, Asamblea Permanente de Entidades Gremiales Empresarias, 1975-1976) as it was also intended to counter the political presence of the CGE. With the return of democracy in 1973, the CGE controlled the Ministry of Economy and the UIA joined CGE and merged with the CGI in a new third degree association: Argentine Industrial Confederation (CINA, Confederación Industrial Argentina), which was then dissolved by the military government in 1976, together with the CGE and all its member organizations.

uncompetitive exchange rates as the country's economy relied heavily on the capital and intermediate goods imports to support the ISI model to the extent that trade deficits increased [Basualdo 1987]. In addition, political polarization reached its height under the Peronist administration between 1973 and 1976 and disputes over economic policy grew in intensity. From a political economy perspective, larger economic interests argued that prevailing industrial policies had failed to promote competition and had thus, consolidated an inefficient industrial structure [Cortés Conde 1997]. As urban guerrilla escalated, large business groups organized different lockouts, all of which contributed to the growing climate of instability. The stage was set for a new military coup d'état.

Based on the idea of a radical restructuring of the economy and society, the military government (1976-1983) embarked upon an unprecedented process of market reform based on a heterodox and often contradictory mix of price and exchange controls, selective tariff reduction, privatization, and state expansion [Teichman 2001]. Tariff rates dropped from an average 55% in 1976 to 29% in 1978, while most of the existing quantitative restrictions to imports were removed. However, the reform was far from homogeneous. While selected activities were targeted for new subsidies and incentives, some core branches producing intermediate goods considered to be strategic and already enjoying strong protection, were exempted from this liberalization program: steel, aluminium, rubber, footwear, paper, pharmaceuticals and automotive sectors⁶¹ [Lucángeli 1989; Viguera 2000]. Thus, whereas some industries had to support the burden of increasing foreign competition, others, on the contrary, were still protected and reinforced. One of the most important structural effects of these discretionary measures providing competitive advantages was the expansion and consolidation of domestically-funded economic groups or conglomerates, which organized around a mother company – enjoying protection – were thus active in several activities, including industry (mainly, petrochemical, metal-mechanic and construction), financing, agriculture, trade, and foreign investment [Schvarzer 1986]. Underlying this profound, though biased, economic restructuring program we find the interests of large conglomerates, who gathered under the CEA had strongly supported the military regime while demanding orthodox economic policies.

⁶¹ Noteworthy, some of these industries were in the sectors controlled by the military who acted as an interest group when the then Minister of Economy tried to reduce the government deficit by selling some money-losing enterprises run by the armed forces. Faced with this situation, military managers united with trade unions and convinced the Videla administration (1976-1981) to halt the project [Fontana 1986].

On the contrary, domestic oriented industrial interests under both the UIA and the CGE were totally disregarded. The CGE was dissolved and the UIA remained under military intervention during the dramatic liberalization process. Finally, the labour movement – one of the most fervent opponents to market reform – had been severely weakened by social structural change [Levitsky & Murillo 2005]. The military's government policy of repression and intervention would further weaken trade unions, even if the military's strategy towards organized labour also included collaboration with cooperative labour leaders, who had thus access to decision-makers and could lobby against particular aspects of the market reform process⁶². Finally, the trade liberalization program implemented between 1976 and 1979 decimated the industrial workforce to the extent that the number of workers was reduced by more than 10% between 1975 and 1985 [Palomino 1987] and the largest unions in the CGT pertained to the public and service sectors [Abós 1986].

However, this poorly structured program proved unsustainable and led to a severe financial and balance of payments crisis in 1980-1981. This led to a period of “chaotic adjustment”, including strong devaluations, price controls, intense restrictions on lending, and the rescue of the extremely indebted private sector. The government's growing lack of control over the economy and its increasing political weakness [Damill & Frenkel 1996:59] combined with the defeat in the 1982 war against Great Britain, contributed to the general sense that the military was unfit to rule, precipitating thus democratic transition.

c) Democracy, market reform, and governance rebuilding (1983-1999)

The first democratic government led by Raúl Alfonsín (1983-1989) coincided with a deep economic crisis. At first, the new administration resisted strict austerity and market liberalizing measures and tried to satisfy the demands of all relevant interest groups through an expansionary program. However, in 1985, the rapid deterioration of the economy led to a heterodox reform program, where the objective was to control inflation without economic contraction. After some initial success, the Austral Plan finally collapsed under the pressure of affected groups and by the end of 1987, the country was already

⁶² Argentina had developed a bureaucratized labor leadership willing to collaborate [Teichman 2001]. Thus, for example, many military intervening in trade unions maintained old trade union leaders as advisors [Gaudio & Thompson 1990] and in some cases these joined forces with the nationalist wing of the military to oppose Martínez de Hoz's plans to privatize military-controlled companies [Manzetti 1993].

experiencing rising inflation and a surge in the fiscal deficit, while the Radical administration had to face defeat in midterm elections [Frieden 1991a].

The government would also launch an important trade liberalization reform, which led to a significant reduction in nominal protection – the average import tax was reduced from a level of 45% in 1987 to 29% at the end of 1988 – and an important reduction of tariff positions subject to quantitative restrictions. The number of products subject to prohibition or quantitative restrictions was reduced from 4.000 to 3.000 and the average tariff rate was reduced from 51 to 36% [de la Balze 1995]. Hence, by the late 1988, there was progress in the trade liberalization agenda and a rising consensus emerged on the need to reduce nominal protection as a precondition for non-inflationary growth⁶³. Nevertheless, this reform could not reverse industrial decline and hyperinflation, while in more institutional terms, the government faced serious difficulties to effectively institutionalize economic governance to process the distributional conflict among unions, industrialists, and agro-exporters [Smith 1990].

The government attempted a consensual style of policymaking that entailed the replacement of the old state-sponsored negotiations between labor and business – known as Concertation Table (*Mesa de Concertación*) – with the newly created Social and Economic Conference (CES, Conferencia Económica y Social). However, even if economic authorities acquiesced the creation of this new mechanism granting privileged representation to organized labour and industrialists, in practice, they denied any real input into the decision-making process [Smith 1990]. As the Peronist-led CGT rejected the Austral Plan and led 13 general strikes against the Alfonsín government between 1984 and 1988, the private sector – mainly, large economic groups and transitional companies – did not show immediate support to the reform program whereas the agricultural, banking, commercial, and construction sectors were not part of the CES [Acuña 1995]. These joint meetings between organized labour and industrialists were intended to promote tripartite dialogue and overcome the traditional zero-sum game. As the strategy failed to produce the expected results, the government tried a new approach, which consisted in bypassing business associations and having direct contact with the most powerful business representatives to inform and consult on policy matters. This group, known as the

⁶³ Between 1985 and 1987, the predominant tariff was of 53% and already in 1987, tariffs ranged from 0 to 105% though the average tariff was 37% [Viguera 2000:57].

“Captains of the Industry” (Capitanes de la Industria) or “María Group” (Grupo María) brought together the country’s largest economic groups⁶⁴. This initiative was welcomed by businesses men on the basis that *“important interests need to have quicker coordination than that offered by traditional institutions”*, discarding thus more traditional associations such as the UIA, whose representativeness and democratic character was inversely proportional to its responsiveness [Ostiguy 1990:326]. These informal meetings granted the Captains of Industry access to the decision-making process but the investments they had promised were never materialized [Manzetti 1994]. This initiative was also short-lived and by the end of 1987, just after the defeat in the legislative elections, the axis between the government and the Captains of Industry vanished.

The following years of the Radical administration brought new stabilization plans and new efforts at concertation, this time with traditional actors under the UIA and the CAC. These initiatives were only met with mounting opposition from labour unions and also from economic interests who established an unprecedented alliance under the name of Group of 11 (Grupo de los 11)⁶⁵ [Manzetti 1994; Acuña 1995].

Clearly, this attempt at promoting consensual economic governance failed to produce a stable institutional framework. Most of these overtures were short-lived, involved concertation with labour, and often ended up deepening sectoral divisions among associations rather than facilitating more encompassing collective action [Schneider 2004a:191]. By the end of 1988, the government faced a complex context marked by hyperinflation and economic collapse but also political instability and mounting opposition from business and labour actors. This set the stage for a new Peronist administration led by Carlos Menem (1989-1999) who redoubled the commitment to neoliberal reforms.

⁶⁴ The Captains of Industry included the largest conglomerates but was not a fixed group to the extent that members fluctuated. Thus, the different actors that were part of it at some point in time during the 1980s, included Acindar, Alpargatas, Arcor, Astarsa, Astra, Bagley, Laboratorios Bagó, Boris Garfunkel & Hijos, Bidas, Bunge & Born, Cartellone, Celulosa Jujuy, Finamerica, Garovaglio & Zorraquín, Ledesma, Loma Negra, Macri, Grupo Madanes, Massuh, Mastellone, Pérez Companc, Pescarmona, SAAB-Scania, and Techint [Ostiguy 1990].

⁶⁵ The Group of 11 was formed by the CGT and 10 business associations, including the Agricultural Inter-Cooperative Confederation (CONINAGRO, Confederación Intercooperativa Agropecuaria Cooperativa Limitada), CRA, the Association of Argentine Banks (ADEBA, Asociación de Bancos Argentinos, set up in 1972 and re-founded in April 2003 as the Argentine Association of Private Banks of Argentine Capitals/Asociación de Bancos Privados de Capital Argentino), the Argentine Chamber of Construction (CAMARCO, Cámara Argentina de la Construcción), Coordinator of Business and Merchant Activities (CAME, Coordinadora de Actividades Empresariales y Mercantiles), the Union of Argentine Commercial Entities (UDECA, Unión de Entidades Comerciales Argentinas), and the Confederation of Commerce, Industry, and Construction (Confederación del Comercio, la Industria y la Construcción).

Contrary to what he had promised during his populist electoral campaign – namely, wage increases, social justice and “the productive revolution” (*la revolución productiva*) – but also to the more historical pattern of Peronist economic governance, Menem developed a rapid and thorough market reform program. State expenditures in education, housing, and health underwent drastic cutbacks and the most important companies were privatized, including telecommunications, airline, railways, petroleum, steel, and military defence companies, while trade liberalization advanced through constant tariff reductions and the removal of quantitative controls on exports. By 1994, the reform process was almost complete. This unilateral process of trade liberalization led to a reduction of the average tariff from a level of 45% in 1987 to around 13% in 1994 [Viguera 2000; Teichman 2001]. The centrepiece of the reform program was the Convertibility Plan (Plan de Convertibilidad) introduced in 1991, which fixed the exchange rate of the Argentine peso to the United States dollar at one-to-one parity and required the Central Bank to back two-thirds of the monetary base with international reserves, and managed thus to bring down inflation and inflationary expectations. Combined with the full liberalization of capital flows and the structural adjustment program, among other policy reforms, the Convertibility Plan signalled the beginning of a new era in the political economy of Argentine society [Teubal 2004].

Policy change was marked by an anti-elite character. Based on Kornhauser [1959], Sidicaro argued [1995:126-129] that the collective actor that emerged around the Menem administration worked as an anti-elite. Coming from the provinces of the “Interior” of the country, the President and his closest collaborators were not accepted by the traditional elite groups, lacking thus recognition and prestige. This lack of acceptance together with the detachment from the rules of the game allowed them to act much more autonomously and flexibly than would otherwise be the case. However, this anti-elite pattern must not obscure the fact that large economic interests were intimately involved in the reform process from which they benefitted enormously. In the first place, Menem directly trusted the handling of the economy to the managers of Bunge & Born conglomerate, an active member of the Captains of Industry with important interests in the marketing of beef and grain, showing thus Menem’s attempt to win the *campo’s* approbation [Manzetti 1992]. Second, individual businessmen from the largest companies were confidants of the President and prominent government officials as they intended to influence decisions from the inside rather than criticizing from the outside [Viguera 2000:103].

This intense and deep interlink with the large conglomerates or *grupos económicos* was not accompanied by similar articulations with business associations. Between 1989 and 1995, business associations had little opportunity to express their views to senior government officials, except for those pertaining to the CEA. Later on, the removal of these big business appointees did not entail access to business organizations either. Even if there was an official consultative mechanism – the Production, Investment and Growth Council (Consejo de la Producción, la Inversión y el Crecimiento) – where business, labour and government representatives came together, this was only a forum where policies already decided upon were communicated by the government and both business and government representatives considered this mechanism as “*window dressing*” [Teichman 2002:123].

Evidently, state actors preferred to act in isolation and fast and were thus more reluctant to consult regularly with organized business. Small and medium industrialists suffered this exclusion the most and had absolutely no access to the highest ranks of political power, as was the case of the UIA, who found it hard to bring up one of their major concerns: the negative impact of the fixed exchange rate on export competitiveness. The UIA, together with the SRA, celebrated free market policies, the privatization of state enterprises, the attempts to fracture organized labour power, and the reduction of state bureaucracy. Nevertheless, the interests of the most powerful groups within this organization, namely, industrialists producing for the domestic market, were threatened because of the strong emphasis on agricultural and petrochemical production, and industrial exports. In fact, liberalization was only positive for some export-oriented conglomerates but not to those that had developed under protectionism and relied on government contracts, who deeply resisted any change and were left to face foreign competition on their own. The sudden improvement of the economy after the implementation of the Convertibility Plan moderated the existing differences and in September 1991 the Minister of Economy, the CGE, UIA, and other smaller industrialists associations signed a “productivity pact”. Whereas industrial associations committed thus to the creation of employment and investments and restraining price increases, the government made different concessions regarding lowering of energy costs, special credit lines for small and medium-sized companies, a new foreign trade law and labour legislation creation [Manzetti 1994:101].

Market reform had high costs for labour unions that had developed their political power under the shadow of the ISI model. In a context where privatization and deregulation had

forced labour restructuring and large layoffs, trade liberalization entailed more competition and increased differences across workers and within sectors. In fact, the government's policy shift from populism to neoliberalism divided the CGT into three competing factions, which would soon become reunited under the most cooperative union leaders as the government offered selective positive incentives, namely, guaranteed monopolies of representation and executive appointments. As the major trade union moved towards cooperation, it was rewarded with further concessions, including changes in the reforms of pensions, social security, subsidies for health funds, and the maintenance of legislation on collective bargaining and labour organization [Murillo 2001]. Yet, labour unions would not be invited to discuss trade liberalization.

During these years, even when business associations seemed unified around a gradual, compensated export model, they continued to work to slow liberalization and asked for exceptions and limitations. This was even the case with the more ideologically committed economic liberals in the business community, who also begged for protection as soon as imports threatened their profitability. However, and as long as many business associations found it difficult to count on consensus around any given particular policy issues, individual businessmen sought especial access to pursue their own interests so that each new policy measure was followed by individual requests for exemptions. Business strategies were thus adaptive or reactive to government decisions, being these concentrated on the implementation rather than on the formulation of trade policy [Viguera 2000:200-209].

In sum, during the market reform process, and especially regarding trade liberalization, business actors only enjoyed ad hoc access as no institutional mechanism was established for them to interact on a regular and foreseeable basis with the government. This prevented business organizations from developing strong collective action and favoured discretion and private lobbying. More importantly, this pattern of articulation between state and business actors hindered the establishment of virtuous cycles involving important flows of information between them. The absence of such a learning process would become especially evident during the various trade negotiations launched during the following years.

d) Changing governance relations: bringing the state back in? (1999-2005)

After ten years of hegemonic power exerted by the Menem administration, the 1999 elections introduced two major innovations in Argentina's modern history. For the first time, a Peronist government transferred power democratically to an opposition party, and second, the new administration was the first coalition government in the country's democratic history.

While not rejecting the core of the neoliberal economic model, the centre-left government led by Fernando De la Rúa had campaigned for reform, which entailed mainly combating corruption and addressing the social costs of neoliberalism. Once in office, the new government failed to fulfil both commitments [Levitsky & Murillo 2005]. On the one hand, it was too weak to resist external and domestic pressures to sustain the neoliberal economic agenda in general, and the fixed exchange rate, in particular. On the other hand, and in an attempt to respond to the severe institutional crisis that sprung in October 2000 and which resulted in the resignation of the Vice-President and the weakening of the Alianza, but also to show the government's commitment to macroeconomic stability, Domingo Cavallo was appointed Minister of Economy. Under his leadership, a "Zero Deficit Plan" was launched to curtail public sector wages, pensions, and federal transfers to the provinces. Not surprisingly, the announcement was rapidly followed by intense social protest. This social turmoil was even more challenging for the Alianza given that, contrariwise to Menem's administration, it did not have a strong relation with either business or labour actors [Tedesco 2001:108].

The institutional fragility and the lack of this social base, combined with the withdrawal of the IMF's support were the perfect ingredients for the explosive situation the country faced in December 2001. The country defaulted on its financial obligations and within two months the value of the peso dropped by more than a third – and even further in 2002 – while social demonstrations intensified rallying behind the slogan "Throw everyone out" (*Que se vayan todos*) [Grugel & Riggirozzi 2007:94]. The political order collapsed and during the next weeks, after De la Rúa's resignation, presidents came in and out in rapid succession, until the Congress selected Peronist senator Eduardo Duhalde as president in January 2002.

Duhalde put an end to the convertibility system, a policy decision that in the context of international isolation and widespread institutional collapse plunged the economy further into chaos. Economic activity paralyzed, the GDP contracted by 16% in the first quarter of 2002 and the unemployment rate climbed to almost 25%, while over five million people fell into poverty between October 2001 and June 2002, and more than half the population lived in poverty by mid-2002 compared to 22% in 1994 [Levitsky & Murillo 2003:155]. The government's policy response entailed a break with neoliberalism and IMF-sponsored orthodox stabilization programmes. Moreover, it showed a turn to some of the central ideas of the national development strategy in place before the 1980s and 1990s: a proactive state in some fundamental areas of the economy and the promotion of a new articulation between state, business and civil society actors [Grugel & Riggirozzi 2007:95].

The end of the Convertibility Plan and the *pesificación* of the national economy showed the political clout of the so-called Productive Group (Grupo Productivo). Made up of the UIA, the CRA, and the CAMARCO, among others, this group brought together a large group of industrialists. Excluded from the decision-making process during the market reform years, they were now suffering the negative results of the neoliberal reforms. The newly created – and short-lived – Ministry of Production was directly handed to the then president of the UIA, José Ignacio de Mendiguren, whose main task in office was to execute the pesification of the economy. As the large conglomerates under the CEA were now excluded from the policy process, the Productive Group was then having the inside track [Teichman 2004]. Indebted in dollars, the pesification would certainly help these industrialists to face their debts who would also profit from the increasing costs of international products in the domestic market, while competitive tradable goods benefited from increasing competitiveness in international markets. As argued by Grugel and Riggirozzi [2007:95] this “*was the most dramatic evidence of government commitment to domestic industry in more than 15 years*”. Still, pesification would have a negative impact on large societal groups since deposits and savings were *pesificados*. As the economy showed some signs of incipient recovery, the government also attempted to restore social peace through the promotion of effective social policies without totally discarding traditional clientelist practices [Levitsky & Murillo 2005]. In addition, a 20% tax was imposed on export earnings from agricultural commodities and hydrocarbons to finance emergency social programmes [Grugel & Riggirozzi 2007:96].

In May 2003, a new elected Peronist president replaced the interim administration led by Duhalde. Néstor Kirchner (2003-2007) deepened the policy orientations initiated by his predecessor: the state would have an active role in economic growth through the promotion of domestic industry, public works, and services. In turn, this growth strategy based on domestic industry had an impact on the relation between state, business, and labour unions.

The articulation included a politically mobilized labour movement along with domestic industry and unemployed worker's organizations – the *Piqueteros*⁶⁶. Labour unionists' backup was mainly based on favourable salary agreements and other policies intended to support real wages – namely, sectoral agreements to control domestic prices for consumer goods and subsidies to compensate producers for the costs entailed, which in turn gathered the support of urban workers [Etchemendy & Collier 2007; Richardson 2009]. The CGT was thus fundamental together with the *Piqueteros*. On the business side, key fractions of domestic industry also played a central role in this new articulation promoted by the state. The UIA backed the industrialist orientation of the government and on many occasions, leaders of this business association expressed unrestricted support for Kirchner's economic policies [Richardson 2009]. Moreover, the government re-established the old pattern of tripartite bargaining on collective contracts with the creation of the Minimum Wage Council (Consejo del Salario Mínimo). This brought together the government, with the Peronist CGT and UIA, who were joined by the commerce, banking, and construction associations, in systematic negotiations to contain inflation and excessive wage increases. These systematic negotiations and agreements were thus a centre piece of Kirchner's economic development program [Wylde 2010]. This was opposed by traditional rural organizations and the left-leaning and more belligerent Central of Argentine Workers (CTA, Central de Trabajadores de la Argentina) formed in 1992 to account for the interests of workers – employed and unemployed – and with a strong presence among state workers [Etchemendy & Collier 2007]. Large conglomerates were also excluded from this tripartite dialogue. As the CEA lost its traditional economic and political influence, the Argentine

⁶⁶ The *Piqueteros* were a new political actor in Argentina and mainly a consequence of declining public spending and mounting unemployment, and the disarticulation of the country's formal wage-earning class in the 1990s. Composed of suddenly impoverished members of the lower middle class and upper working class, this group has retained traditions of social organization [Grugel & Ruggirozzi 2007].

Business Association (AEA, Asociación Empresaria Argentina) was created in 2002 and has since then advocated free price system and sectoral negotiation of wage increases⁶⁷.

By the end of 2005, the pattern of state-society relations resembled that of the ISI model. Old protected actors including industrial groups and Peronist trade unions regained prominence as fundamental supporters of this new developmentalism or *neodesarrollismo* [Grugel & Riggirozzi 2007] or post-convertibility economic policy [Etchemendy 2005]. Along these more than 50 years, Argentina has shown great political variation in terms of its development strategy. After actively deploying a model of industrial development based on the substitution of imports until the mid-1970s, since then different attempts were made to liberalize the economy. Only in 1994 was the state-led model of industrialization thoroughly replaced with a clear market-oriented reform project. Ten years later, neoliberalism was discredited and the economy was once again moving towards the development and promotion of domestic industry. In other words, the country has oscillated back and forth between economic liberalism and statism, a debate that would still persist after the radical and thorough reform market program of the 1990s. These oscillations in economic policy are certainly explained by changes in the international arena, namely economic crisis, credit availability or the diffusion of particular ideas. Nevertheless, state-society relations are also fundamental to fully understand these variations and fluctuations. The perceptions and calculations about opportunities and constraints mattered. Societal pressures and demands determined the strategies available to state actors, though their collective action strategies were at the same time determined by the particular access mechanisms they were granted by state actors to express and manifest their own agendas.

Based on these historical legacies and the evolution of state-society relations in Argentina during these years, we intend to see to what extent these patterns of articulation between state and non-state actors have been maintained in the context of different trade negotiations or, on the contrary, new relational dynamics were developed.

⁶⁷ For further details, see www.aeanet.net, accessed 22 March 2010.

5.2. Chile: consultative and technocratic governance

Economic liberalism found little support in state and society in Chile before 1970 [Teichman 2001:24]. Still, it was the first country in the region to embark on a steep path towards market reform under the repressive military regime led by Augusto Pinochet (1973-1990). Until this sharp turn to market liberalization, Chile had been a staunch supporter of the ISI model as other countries in the region. Most strikingly, this free market path was not altered by the Concertation of Parties for Democracy (Concertación de Partidos por la Democracia), the coalition of centre-left political parties in office since the return to democracy (1990-2010).

In order to apprehend the why and how of these particular developments since the 1970s, attention should focus on this country's particular economic structure, social formation and political institutions.

a) Cooperative governance under the ISI model (1930-1957)

As in other countries in the region, including Argentina as we have just seen, the 1929 crisis led to mistrust of laissez-faire policies and greater acceptance of government intervention as a means to regenerate economic growth and employment. World War II extended the limitation already acknowledged: that neither international trade nor finances could fuel economic growth [Silva 2007]. In this context, ISI began spontaneously as a means to regenerate economic growth and employment in Chile, a country with industries tied to the export sector although still of an incipient nature.

Despite this incipient industrialization, business interests were already formally organized. The dominant class – the *latifundistas* – was structured into the National Agriculture Society (SNA, Sociedad Nacional de Agricultura) by a national decree as early as 1838. The growth of the economy led to the establishment of the National Chamber of Commerce (CNC, Cámara Nacional de Comercio) in 1858⁶⁸, and in 1883, at the request of the minister of finance interested in promoting industrialization, the SNA created the Society for

⁶⁸ With a long and prolific participation in various areas related to commercial activities, in 1925 it was established as the Central Chamber of Commerce of Chile (Cámara Central de Comercio de Chile). In 1991, after incorporating services and trade, it conformed the National Chamber of Commerce, Services, and Tourism of Chile (CNC, Cámara Nacional de Comercio, Servicios y Turismo de Chile). For further details, see www.cnc.cl, accessed 6 February 2010.

Promoting Manufacturing (SOFOFA, Sociedad de Fomento Fabril) though then there was not much industry to organize⁶⁹. Under these same auspices, the SNA helped mining firms create the National Mining Society (SONAMI, Sociedad Nacional de Minería) [Menges 1966; Drake 1978b].

During these years, working classes expanded and started organizing. However, only by the turn of the century would more modern-looking labour unions come into scene, being these formed by metalworkers, railway men, tram drivers, and printers. This contrasted with capitalists, who by the 1920s were already acting as powerful sectoral peak organizations, representing the sector's economic interests in national politics and acting as technical advisers and decision-makers for governments [Menges 1966; Drake 1978b]. Both the SNA and the SOFOFA were highly influential in Chilean politics: from 1873 to 1901, 25 to 33% of members of Congress belonged to the SNA whereas between 1883 and 1930, 36% of the SOFOFA's executive council members served as congressmen, senators, public officials and even ministers of state [Loveman 2001:166]. Contrariwise, labour organizations were violently repressed and access to the decision-making process was inhibited [Collier & Collier 2002:72-75].

Apart from this biased opening towards business actors, decision-making processes increasingly included a public technocratic stratum that acted as a "*moderating mediator*" between competing social and political actors that mistrusted each other [Silva 1994:282]. This public technocracy would play a key role in the functioning of the Chilean political system along the years to come and would be central to the country's development as it contributed to the modernization of the country and the consolidation of the entrepreneurial role of the state⁷⁰.

Under the aegis of the Department of Industry and the Ministry of Development created in 1927 and 1928, respectively, in the mid-1930s the state-led industrialization model became a matter of government policy. Different policies were thus implemented including deficit spending, public works projects, and special loans and tariff protection for industry and

⁶⁹ Kirsch [1977] has shown that Chilean manufacturing began to move out of the artisanal era after 1880, rapidly developing thereafter to the extent that the structural characteristics that defined Chilean industry after 1930 were acquired during the nitrate era (1880-1930).

⁷⁰ This search for expertise and technical mediation also implied resorting to the technical advice from foreign investors, as shown by the Kemmerer mission that in 1925 conducted a far-reaching reform of the monetary, banking, and fiscal systems. Argentina considered inviting the Kemmerer missions but finally did not get through [Drake 1989].

landowners. Still, rather than discriminating against agriculture, these various policy changes were aimed at complementing the agricultural sector as they were mainly intended to stimulate already existing manufacturing in food processing and leather [Petras 1969; Cavarozzi 1975, both in Silva 2007]. Since there was no discrimination against landowners, the traditional clash within the ISI model – namely, between industrial and agricultural interests – was thus avoided. Furthermore, landowners actively supported industrial policy: the early 1930s were a period of high unemployment and social unrest and the agricultural sector could not absorb inactive labour quickly enough [Silva 2007]. In sum, the social bases of support for these policies came principally from financiers, merchants, landowners and incipient industrialists, who had been demanding these policies since 1931, as they grew aware that in a context of international economic crisis only internal economic development and stimulation of domestic industry could revitalize a depressed economy. Differences in this wide coalition supporting the ISI model were focused on trade liberalization. Whereas the SNA joined the mining and commerce associations in supporting freer trade, industrial interests under the SOFOFA demanded greater protection. These diverging views did not entail deep conflict between rural and urban economic leaders. On the contrary, these engaged in cooperation since they formed a powerful and highly integrated group, deeply involved in the right-wing political leadership [Drake 1978b; Zeitlin & Ratcliff 1988 in Teichman 2001].

As the decade advanced, the government became “*the main determinant of Chile’s economic destiny*” [Mamalakis 1976:112] and accordingly, the process of state-led industrialization was deepened through the newly created Chilean Economic Development Agency (CORFO, Corporación de Fomento de la Producción) in 1939⁷¹, of which the Ministry of Development established in 1928, was a direct predecessor. This deepening of the industrialization process was accompanied by an important rise in membership in industrial labour unions, which more than tripled during those years [Cavarozzi 1975 in Schneider 2004a]. However, the prevailing codified labour legislation of 1924 that legalized unions, constrained their size, income, and use of strikes, while also limiting industrial action by

⁷¹ The technocratic stratum that emerged before the 1930s was key in the establishment of CORFO, an institution that had a fundamental role in the politics of development since then [Silva 1994]. For further details on the creation of CORFO, see www.corfo.cl/acerca_de_corfo/que_es_corfo/historia, accessed 15 February 2010.

federations⁷². Moreover, labour actors were systematically excluded from political power. The lack of adequate mechanisms of access to the decision-making process prompted two developments specific to Chile. First, labour leaders were compelled to seek support from political parties to a greater degree than was usual in other countries in the region; and second, a high degree of competition emerged among leftist parties to gain influence in the labour movement [Angell 1972; 1993].

This exclusion of labor interests contrasted with the enhanced articulation between state and business leaders. It was the Popular Front and centre-left governments who provided the initial drive for developmentalism and for a kind of “*cooperative capitalism*” [Muñoz 1986] or “*compromise state*” [Barrett 1999], which entailed the articulation between state and business actors. Despite the radical discourse of governmental actors, business interests were granted institutionalized access to various public agencies, including CORFO that functioned as a corporatist forum for the articulation between the state and business [Menges 1966:343-365]. Hence, the government intended to mute political opposition to the new development strategy whereas, in return for this institutionalized access to the decision-making process, business actors moderated their resistance to state intervention in the economy. This form of cooperative capitalism did not imply the articulation between state and labour actors, who until the 1970 remained largely excluded from policymaking processes [Angell 1972:70].

By the mid-1950s, the ISI model was consolidated in Chile but soon after different elements – balance of payments difficulties, chronic inflation, and irregular industrial growth – signalled the limits of the easy phase of industrialization while the international recession of the 1950s showed the beginning of stop-start economic growth [Mamalakis 1976:163-164]. As different attempts at stabilization were unsuccessful and the government failed to meet popular expectations for reform, the solid social coalition supporting state interventionism and protectionism began to crumble. Rising tensions grew over who would pay the adjustment costs.

⁷² The law prohibited against the creation of federations for the purpose of collective bargaining. In turn, this norm reduced labour's power at the regional, national and industry wide levels. In addition, given the provision that plant unions could be legally set up only in enterprises having 25 workers as a minimum, even in the 1960s unions were absent in most industrial establishments [Teichman 2001:25; fn 6]. Legal differences between *employer* and *worker*, namely, between blue and white-collar workers, were established [Angell 1972] and as labour federations and confederations lacked legal status, they could not collect dues from member unions, all of which weakened even further the cohesion of the labour movement. Finally, peasant unions were proscribed on paper until 1947 and in practice until 1967 [Loveman 2001:226-229].

b) Political polarization and democratic governance (1958-1973)

Already in the 1950s, Chile started suffering from all the problems associated to ISI, which were aggravated by changes in the party system that had worked as mediator of otherwise conflicting interests [Valenzuela 1978]. Since the 1930s, the so-called compromise state had made of Chile the most stable and promising of Latin American's democracies [Barrett 1999:4]. Thirty years later, as the foundations of this structure of interest mediation eroded, Chilean society and politics became progressively polarized and compartmentalized in a context of economic deterioration, persistent inflation, and slower growth. The Chilean case distinguishes, however, from other countries in the region as these political factors, rather than economic constraints, accounted for the end of the inward-looking development model and the later rise of a free-market strategy [Silva 2007].

In 1958, Chile's political centre started to collapse as both the Christian Democrats and Liberals moved towards the left. These movements in party alignments ushered in governments based on a single party and in time, tensions between state and business actors escalated, only to reach its peak during the presidency of Salvador Allende (1970-1973).

During the presidency of Jorge Alessandri⁷³ (1958-1964) large economic interests were given a leading role in economic policy. Several representatives of the emergent managerial elite were appointed to government positions giving thus way to the so-called "*revolution of the managers*" (*la revolución de los gerentes*) [Pinto 1985:30], who managed to transfer the burden of the adjustment costs onto labour [Silva 2007]. Yet, soon the illusion of a technocratic administration gave way to party and interest politics and as the government initiated a timid agrarian reform, business actors withdrew their solid and unconditional support to the administration. Business and state actors relation would be even tenser during the government of Eduardo Frei (1964-1970) when many of the existing channels of articulation were closed.

Under Frei, various policy instruments were implemented to promote transition to the next level of industrial development, including attracting FDI, and cutting down national industries protection, an initiative business interests managed to block through their

⁷³ In fact, Alessandri was himself a businessperson. Before becoming president, he had held different positions in business. Most notably he had been director of SOFOFA and president of the CPC, a position he had held on and off since 1943 and for 16 years [Schneider 2004a].

lobbies in Congress [Silva 2007:76]. The nationalization of the copper industry with compensation to foreign owners faced less resistance, and was finally implemented⁷⁴. Policies towards the agricultural sector included an agrarian reform program that expropriated large areas of land to form peasant cooperatives and important transformations in the labour legislation allowing for the creation of rural unions. Combined with the mobilization activities of rural unions and Marxist-left parties, these policy strategies led to a quick increase in rural unionism that, in turn reinforced the effects of the electoral reforms of 1958 and 1962: the reduction in vote buying and fraud and the liberation of the votes of rural voters from landowners' clientelist control [Collier & Sater 2004:260-262]. These policies acutely affected landowners' interests in a context where the administration was giving more direct participation to neglected groups, such as small-scale commerce, rural workers, and different grass-roots organizations [Drake 1978b:109].

The various policy instruments put in place could not prevent the economic slowdown, especially in the manufacturing sector. Still more importantly, the mobilization of these previously excluded groups together with the government's agrarian reform, which presented a general threat to traditional economic elites, imposed severe strains on the institutional mechanisms of representation and intermediation.

Between 1958 and 1964, the four peak associations were voting members in two main types of government organizations. First, they were all voting members of several semi-autonomous fundamental financial policy institutions, such as the Central Bank in charge of monetary policy, the State Bank (Banco Estado) that supervised credit and subsidies, and CORFO. Second, each organization usually voted on the boards of the many specialized government committees dealing with its particular economic sector. Thus, for example, the SNA had two representatives on the board of CORA and SOFOFA was represented on the Permanent Commission for Customs Reform. Sectoral organizations participated in other public agencies or committees, such as the Council on Tariffs and the Advisory Commission for the LAFTA. Business actors also played an active role in the legislature, where they strongly lobbied, gave testimony, provided important information, and in many instances, even drafted legislative proposals on policy issues concerning their

⁷⁴ Since the early 20th century, with the entrance of mainly United States capital, the copper industry had been in foreign hands. Already in 1955, under the second presidency of Carlos Ibáñez (1952-1958), the country embarked on a process of nationalization known as the "Chileanisation of copper" (*la chilénización del cobre*), which was expanded under Frei's administration and culminated during the government of Allende.

specific economic sector [Menges 1966:349-352]. Moreover, business actors pursued contact and influence with the Executive through different informal mechanisms and channels. This very active role and dynamic interrelation between business interests and state actors would be somehow altered during Frei's government as many of these channels were closed.

Combined with Frei's reform agenda, these set business associations against it. The SNA became the leader of the *gremialista* movement and promoted the revival of the Confederation for Production and Commerce (CPC, Confederación de la Producción y del Comercio). Created in 1933 by the four major sectoral business associations, in the context of increasing worker mobilization and the spectre of socialism, the CPC had laid dormant during the first years of ISI (1940s-1950s). As the perception of threats and menaces dissipated, sectoral associations reduced their interest and investment in the economy-wide organization. Consequently, the CPC assumed a rather passive position which contrasted to the leading role sectoral organizations had in the policymaking process during those years [Menges 1966; Drake 1978a]. Now, as the SNA felt excluded and menaced by the government's agrarian policy, they actively promoted the collective mobilization of business interests under the CPC to engage in a major program of mass mobilization and contestation to respond to the government's reformist threats. The strategy was backed by the SOFOFA and other sectoral associations.

Finally, business interests succeeded in gaining further support by President Frei who actively recommended the democratic participation of business actors in the policymaking process [Schneider 2004a]. Despite this rightward shift of the administration, in the late 1960s consensus on the role of the state in the development strategy and that of property rights had vanished only to be replaced by rising social and political polarization. Combined with the growing threat of violence and increasing economic pressures, this conflictive scenario would reach its apogee with the administration of the Popular Unity (UP, Unidad Popular), under the presidency of Allende.

The UP led a thorough process of agrarian reform, extensive nationalization, and redistributive social policy. During the three years in office, the left-wing government expanded the role of the state in the economy to the extent that it covered an even wider range of activities. CORFO acquired 14 of the 17 existing commercial banks and by 1973 the government had expropriated 60% of the country's agricultural land while the number

of state enterprises reached 596 [Larraín 1991; Hachette & Lüders 1994, both in Teichman 2001]. By then, the state expenditure stood at 45% of GDP and the public deficit at 25% while highly protecting measures provided both quantitative and tariff protection for industry⁷⁵. Apart from these policies that clearly threatened property rights, the government intensified business exclusion, reducing, for example, the number of SOFOFA representatives on the boards of public enterprises from 27 to eight firms. Moreover, and based on the rule that proscribed business associations from party politics, Allende attempted twice to dissolve SOFOFA [Drake 1978b]. The exclusion from the decision-making process together with the nationalization and expropriation policies galvanized property owners on strong anti-statist, deregulatory, pro-liberalization, and anti-populist stances, which led increasing strong attacks on the government.

Until then, the major sectoral associations had enjoyed significant institutional strength: they had permanent staffs and high public profiles. In terms of their internal organization, they provided representation for both regional and specialized producer members, and there was a rather regular turnover in leadership, being leaders chosen among the most successful executives. They also provided important services to members in terms of publications, economics statistics, and other regulatory information. This is illustrated by the Institute of Agrarian Studies (INTAGRO, Instituto de Estudios Agrarios) created in 1960 by the SNA to develop more sophisticated skills to be deployed in the national political debates. In a similar vein, SOFOFA also relied on technical staff to review plans for new investments by members to determine if the national market could absorb the new production [Menges 1966:347-348].

These institutional capabilities were directly reflected in their political leverage. As the new administration intensified business exclusion and threatened property rights across various sectors, once again business interest would resort to mass mobilizations and contestation to respond to the UP. At the same time, and 17 years after its creation, the Unitary Central of Workers (CUT, Central Unitaria de Trabajadores)⁷⁶ was finally granted legal status [Zapata 1976].

⁷⁵ This contrasted to the situation in 1969, when the state controlled about 68 enterprises and total state expenditure exceeded 23% of GDP [Teichman 2001:25].

⁷⁶ For further details on the creation and evolution of the CUT, see www.cutchile.cl, accessed 4 March 2010.

The pronouncements and the pressure placed by business organizations on the government, on the one hand, and the strong manifestations of labour unions and students in support of the government, on the other hand, led to a spiral of polarization and radicalization that ran parallel to increasing fear and violence on both sides in a context of serious economic deterioration. All these different elements combined led to the collapse of democracy and introduced a harsh military government in 1973.

c) The end of democratic governance: market-oriented dictatorship (1973-1989)

In 1973, Chile took a sharp turn toward authoritarianism through the installation of a repressive military regime⁷⁷ that would then implement the first market reform program in Latin America, a program that would modify Chilean economy, state, and society in fundamental ways. However, the shift from ISI to a free-market strategy was not automatic and it evolved through three different phases, which entailed gradual, radical, and pragmatic neoliberal restructuring [Silva 1993].

In 1973, both before and after the depose of Allende, economic policy debates pit those in favour of maintaining the prevailing economic strategy based on the high protection of industry and thereby, gradually stabilize the economy, against those who advocated the slow dismantling of trade barriers and economic stabilization in ways that threatened only the most inefficient. Others, on the contrary, privileged a harsh stabilization and market liberalization program [Silva 1993]. This debate was already on the agenda in the late 1960s but would regain interest after the military coup, basically, because the tacit alliance sustaining the first policy strategy made up of industrialists for the domestic market and urban labour had been dismantled in the 1970s.

The military government's first response was a *gradual* approach to import liberalization and stabilization (1973-1975). Tariffs were gradually reduced from an average rate of 94 to 60% in three years while devaluations of a unified exchange rate provided further protection in order to allow manufacturers to adjust to this increased competition, stemming mainly

⁷⁷ In contrast to Argentina where military coup d'états were frequent, in the case of Chile military had intervened only twice: In 1924 and 1931 and in both occasions, the military had remained in power for only a few months.

from regional markets – namely, the Andean Community. This policy change was backed by the CPC and the four peak business associations, all of whom had collaborated in its formulation and design.

The SOFOFA was also backing this approach as now, rather than pledging for protection, industrialists endorsed gradual tariff reductions. This shift in SOFOFA's stance is mainly explained by domestic conditions. In the first place, industrialists had been economically weakened by Allende's nationalization policies and thus, their negotiating power vis-à-vis other business and landowning groups had been debilitated. Second, both the Allende experience and the labour-repressive military dictatorship had destroyed the implicit alliance between industrialists for domestic markets and organized labour, which, under the ISI model, benefitted from high levels of employment. Combined with the fact that most of the elected members of SOFOFA were part of internationally competitive firms or had multiple economic interests [Silva 1993], SOFOFA's leaders now considered compromise as a more adequate strategy than confrontation. Yet, this gradualist coalition⁷⁸ would soon show its own weaknesses, and would be succeeded by a more aggressive policy coalition advocating a harsher market reform strategy.

As Pinochet consolidated his personal power within the military junta, he would also nurture tight links with a selected team of neoliberal economists. By the end of 1974, the Chicago Boys⁷⁹ had gained control over most of the strategic centres of economic decision-making, including the Office of National Planning (ODEPLAN, Oficina de Planificación Nacional)⁸⁰. As these technocrats rapidly extended their control over economic policy,

⁷⁸ This gradualist coalition had controlled the business mobilization against Allende, which was led by the so-called Monday Club. Made up of Chile's wealthiest business elites, the Monday Club met over Monday lunches to organize opposition to the Allende government. Under the dictatorship of Pinochet, its participants were given prominent cabinet positions [Silva 1996:48-57]. Moreover, some of the Chicago Boys were also important participants in these meetings for which they prepared a post coup recovery plan [Fourcade-Gourinchas & Babb 2002].

⁷⁹ The Chicago Boys included a group of young economists of the Universidad Católica de Chile that were offered the opportunity to pursue post-graduate courses in the University of Chicago between 1955 and 1963, and were then central in the dissemination of monetarist prescriptions in Chile. Their own think-tank – the Centre for Social and Economic Studies (CESEC, Centro de Estudios Socioeconómicos) – designed the economic plan to be implemented by the candidate Jorge Alessandri in the 1970 presidential elections. Even if Alessandri was defeated by Allende, this economic program was later on implemented by Pinochet [Silva 1991; Fourcade-Gourinchas & Babb 2002].

⁸⁰ Created in 1967, ODEPLAN worked as a technical agency focused on the planning of development at the national level. In 1990, it was transformed into the Ministry of Planning and Cooperation (MIDEPLAN, Ministerio de Planificación y Cooperación). For further details, see www.mideplan.cl, accessed 17 February 2010.

business associations were concomitantly excluded from access to policymaking and only a few of the largest conglomerates could rely on informal ties to the government [Schneider 2004a]. In fact, by embracing the Chicago Boys, whose many of its key figures had close ties with powerful internationalist conglomerates, a close alliance between Pinochet and ideologues and conglomerates already in control of the most dynamic sectors of the economy was thus established [Silva 1993].

This alliance offered support to the *radical* liberalization implemented between 1975 and 1982. The application of this shock treatment program entailed a sharp rupture with the previous inward-looking development strategy and a move towards orthodox-IMF sponsored stabilization and drastic economic liberalization [Silva 2007].

Hence, the second half of the 1970s was a debilitating period for business actors. Public officials reversed nearly all of the policies that had previously promoted collective action in associations. Based on the idea that consultation with business groups would contaminate their reforms, they rapidly dismantled the representative arrangements built over the previous decades [Silva 1998]. The boards of core public agencies, which had already been privatized⁸¹, were also reduced and replaced with military officers. Moreover, and contrary to what had been the experience with previous governments, the military dictatorship actively intervened in business associations, imposing heavy controls on leadership selection until 1981 – when the rule was finally lifted – freezing thus in place the leaders of 1973 that had supported the coup in office [Silva 1998:227].

This exclusion from the decision-making process was also related to important transformations and cleavages within the gradualist coalition that sooner than later revealed its lack of cohesiveness. First, while the SOFOFA was still reticent about trade liberalization, the most radical internationalist groups that had been marginalized in 1973 gained increasing ascendancy within the business sector and over the government. Being fervent supporters of the two main axes of the new radical economic strategy promoted by the government – namely, strong deflation and sharp reduction of protection for industry –

⁸¹ While the initial objective in terms of privatization was to return companies that had been confiscated by Allende to their original owners, soon after the government openly accepted that the goal was to reduce the role of the state in the economy and eliminate its redistributive role. In sum, the state would no longer serve as a locus of compromise but would be a central element in the way to a structural and market-oriented transformation of the economy and society. For an analysis of the privatization process in Chile, see Schamis [2002:29-84].

these radical internationalists also assisted technocrats with the design of the new economic policies and hence, challenged the more moderate elements of the coalition.

Second, this narrow but powerful coalition was invigorated and emboldened by different factors both at the domestic and international levels. From an international perspective, given their privileged access to international banking and financing at a time when the government was starved for foreign exchange – Chile’s reserves were low and the country underwent a harsh credit crunch – these international conglomerates were more attractive to the military. From a domestic perspective, these conglomerates were the most visible face of the process of capital reorganization that had taken place in Chile since the 1970s. While Allende’s nationalization policies had debilitated ISI industrialists, by the same token, after the military coup, the privatization process together with the deep recession and the deregulation of the financial system allowed internationally connected capitalists to control leading national companies at a very low price [Silva 1993:545]⁸². In sum, the political ascendancy of these conglomerates within the business sector is closely connected to their comparative economic power vis-à-vis ISI industrialists.

In turn, these different elements combined account for the emergence of a policy network and the rapid implementation of radical neoliberal policies. These included drastic deflation, an acceleration of tariff reductions, rapid privatization of public enterprises and services, and the total liberalization of domestic economy to the extent that by 1979, Chile had a flat rate of 10% and a fixed exchange. In order to promote exports, in 1974, Decree Law 740 created the Direction for the Promotion of Exports (ProChile, Dirección de Promoción de Exportaciones)⁸³ to deepen and develop the country’s trade strategy. Acting semi-autonomously until 1979, ProChile became a part of the Ministry of Foreign Relations that same year. The government intended thus to stimulate national firms to enter new markets and expand and diversify their export products. In addition, special tax credits and favourable commercial credit for non-traditional exports were established [Loveman 2001:27]. This complex set of policies radically transformed the inward-looking trade

⁸² See Silva [1993] for a vivid portrayal of the composition of these internationalist conglomerates and their active participation in policy-making during this period.

⁸³ Today, ProChile is part of the General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales). For further details, see Chapter 7 of this dissertation and www.prochile.cl, accessed 18 February 2010.

strategy and development policies of the previous decades, turning Chile into one of the most liberalized countries in the world.

However, the economic shock and the subsequent financial crisis of 1982 dramatically altered this articulation between state actors and large business interests and conglomerates. As the economic collapse precipitated and political protest escalated against his rule, Pinochet abandoned these economic interests and rather reluctantly embraced those within the moderate pragmatic alliance that would promote important policy refinements, leading hence to a *pragmatic* approach to liberalization (1983-1988). This new model allowed reflationary policies and more importantly, industrial policy became part of the policy package including grants to the industrial sector [Silva 1993].

On the business front, Chilean economic interests were undergoing significant transformations. International conglomerates were the first victims of the foreign-debt-led model and their collapse galvanized the role of the CPC. Being now led by businesspersons and landowners with international economic interests – namely, logging, fishing, and mining – the CPC elaborated a detailed and alternative economic program. Without abandoning their commitment to a free market economy, the plan included measures intended to promote exports while at the same time, protecting domestic market producers. The underlying objective was to develop a common position regarding policies to be implemented in order to confront the crisis that was already sweeping across Latin America. This decision came after acknowledging the government's main message: that they would not consider special requests for emergency relief from isolated sectors and that business should reach consensus on a joint program. Building on this prerequisite, the CPC focused on those policies supported by the entire private sector, whereas sectoral peak associations elaborated their own recovery policies. In case of serious dispute, the CPC would exclude these sectoral policies from the joint proposal and would not lobby for it when negotiating with government officials. This would be left to each sectoral peak association. Consensus building did not prove to be a difficult task given the relatively small number of participants and the consistent national-level character of interest representation [Silva 1998:229-230].

Nonetheless, protection for industry turned out to be a thorny issue as it pitted SOFOFA's demand for differentiated tariffs against the SNA and SONAMI who claimed for flat rate

tariffs⁸⁴. Once again, SOFOFA was standing alone. Based on this alignment of forces, the president of the CPC gave the sectoral organization an ultimatum: either SOFOFA dropped its demands and accepted uniform tariffs or it would be excluded from drafting the CPC economic recovery plan. SOFOFA assented as only collective action could promote policy change. Finally, reconciliation and unity had its compensation. After 1983, the government rapidly adopted many of CPC's proposals together with the particular programs presented by the different peak sectoral organizations [Silva 1998:230-232; fn 18]. Thus, the deep economic crisis of 1982-1983 led to the revival of Chile's encompassing business peak association that had been dormant during the first years of the military regime. Moreover, after 1983, business actors relied on increased access to and influence over the policymaking process: Pinochet offered many top government positions to business and early in 1984, most economic ministries – finance, economy, agriculture and mining – were in the hands of business associations' leaders [Silva 1998]. These new ministers contributed to the routinization of business peak associations' access to decision-makers and participation in the policymaking process. State actors worked closely with business representatives and reincorporated representatives from associations into various councils and commissions⁸⁵.

In addition, smaller firms organized several meetings in 1982 and issued several declarations critical of the government's policy. Fearing that these business actors could join the protests led by the left and labour, the government made some overtures to business actors in an attempt to weather out the protests of 1983 [Schneider 2004a].

Three new avenues of participation were thus opened. In 1984, the creation of the Social and Economic Council (CES, Consejo Económico y Social), an advisory board to Pinochet, brought together representatives of the public, business and labour sectors to discuss policy recommendations and demands. Later on, the Ministry of Economy would establish two national commissions to handle the negotiation of external and domestic trade. Sub-commissions were also in charge of dealing with more specific sectoral policy proposals [Silva 1993; 1998]. In 1986, the National Commission of Foreign Trade (Comisión Nacional de Comercio Exterior) was created. Led by the Ministry of Economy,

⁸⁴ Still, their preferences were for slightly higher rates than the 10%.

⁸⁵ While the CPC had regular access to top economic policy makers to discuss macroeconomic policies – namely, interest and exchange rates, and monetary policy – sectoral associations and their technical departments had privileged access to particular commissions dealing with various issues, such as housing and construction, agricultural and mining prices, and drawback schemes, among others [Silva 1998:232].

this commission was to analyze trade policy issues with state and non-state actors in order to advise the government on this policy area.

This enhanced participation might explain the gradual lowering of tariffs between 1984 and 1985 to allow businesses to adapt to new market conditions and encourage exports. Tariffs were reduced gradually, with a brief blip back up to 35% in 1984, followed by a back down to 15% in 1985, while most nontariff barriers were eliminated in an attempt to insert Chile aggressively into the international economy [Loveman 2001:27]. These different forms of consultation and participation in the decision-making process also had an impact on business associations, who have been immersed in a deep process of professionalization since then. While in the early 1970s, only SOFOFA relied on a technical department capable of analyzing and elaborating policy proposals, ten to 15 years later, all other sectoral associations and even the CPC had organised their own technical units whereas SOFOFA expanded its own department even further [Silva 1998:205].

This was a first step towards a relation that would deepen along time, leading by the end of the 1980s to the total adhesion of business actors to the continuation of Pinochet and his authoritarian rule between 1987 and 1988. The SOFOFA, the SNA, and the CPC publicly advocated the maintenance of the pragmatic free-market economic model they had built with the government since 1984, and supported the dictator during the plebiscite on his continued rule. After Pinochet's defeat, business associations strongly supported the electoral candidate of the salient dictator [Silva 1998].

The articulation between state actors and business representatives had gone through different stages along this 17-year period. Without totally abjuring of the dictatorship and its neoliberal free-market program, the relation between state actors and sectoral peak associations deepened as the government sought their direct support and input into the policymaking process.

A similar articulation pattern did not evolve in the case of labour and civil society interests. On the contrary, the military government was clearly committed to the destruction of the labour movement. This included the imprisonment, torture, exile and murder of thousands of union activists, on the one hand, and the dissolution of the CUT, the banning of collective bargaining, abolishment of the right to strike, and curtailing the right to freely associate [Drake 1996:124-131]. Thus, labour unions had been thoroughly repressed since the beginning of the military junta and democratic mechanisms whereas autonomous

working-class mobilization was dismantled and replaced by government-sponsored surrogates [Drake 1978b:114-115]. Civil society manifestations were also curtailed and persecuted. Consequently, these actors were deprived of access mechanisms to the decision-making process during the dictatorship.

Nevertheless, in the early 1980s as the government faced increasing vulnerabilities as result of the 1982 economic crisis, on the political front it had to put up with increasing opposition from labour and the left. Labour unions were central in reactivating and mobilizing opposition forces. These included the Copper Workers Confederation (Confederación de Trabajadores del Cobre, now Copper Workers Federation/FUT, Federación de Trabajadores del Cobre), the National Union Coordinator (CNS, Coordinadora Nacional Sindical), the Confederation of Private Sector Employees (Confederación de Empleados del Sector Privado) and the Unitary Workers Front (FUT, Frente Unitario de Trabajadores). Given that political parties were outlawed and traditional political leaders were unable to assemble an effective opposition moment to contest the dictatorship, labour leaders played a key coordinating role in the public demonstrations led by middle- and lower-class sectors. Social opposition to the regime was further deepened in 1983 as political parties assumed a more active role. Under the lead of the Christian and Social Democrats, Radicals, and a sector of the socialist party united to form the Democratic Alliance (AD, Alianza Democrática) that demanded Pinochet's resignation and favoured a rapid democratic transition, "political society" assumed the negotiation of the transition process [Loveman 2001]. Civil society activism was thus dissipated and political parties reoccupied the public space opened by labour and civil society organizations [Pearce 2004].

d) Constructing democratic governance in a free-market society (1990-2005)

Democratic restoration was led by the Concertación, the centre-left coalition of parties formed in 1988 to oppose Pinochet's continuation in power and the winners in all the elections held since military rule ended in 1990⁸⁶.

⁸⁶ At the moment of writing this dissertation, for the first time since return to democracy, Sebastián Piñera, a right-wing candidate was elected president in the 2010 Chilean election.

In order to disperse the fear explicitly manifested by a highly distrustful and increasingly powerful business sector and gain its support, the Concertación maintained close contact with business associations before and after the transfer of power from Pinochet in 1990. Thus, they intended to assuage investors and assure that they would not roll back neoliberal policies and strategies. Certainly, this contact helped smooth the transition to democracy, which in the case of Chile occurred during an economic boom, unlike Argentina and most other countries in Latin America. Yet, the victory of this centre-left coalition did not entail important transformations in the economic model or in the patterns of articulation between state and business actors [Silva 1998:235]. Contrariwise, the labour movement have not enjoyed similar articulation patterns and has been politically marginalised, aggravating thus its internal divisions and weaknesses [Barrett 2001]. Similarly, civil society actors have also remained largely excluded from the decision-making process.

The new democratic governments did not question the military regime's free-market model. The Concertación yielded its broad economic reform in exchange for advancing political democratization [Barrett 2002]. The political alliance emphasized its commitment to moderation by stressing that market logic would drive its approach to social distribution and the need to promote social and political reconciliation⁸⁷. Whereas the Concertación explicitly manifested its commitment to pragmatic neoliberalism, business interests, landowners and conservative political parties accepted some degree of political change [Silva 1998:236]. This led to an accommodation between state and business actors and constituted the core of the implicit pact between them [Barrett 2002].

In order to promote a climate of mutual trust between state and business actors, the Concertación started close consultation with business organizations regarding moderate economic policy and social reform. This consensus politics, which prevailed during the first two administrations (Patricio Aylwin, 1990-1994, and Eduardo Frei 1994-2000), was positive as each side gained confidence and trust in each other. However, the close and amicable collaboration was mainly restricted to economic policy and international trade, while tensions and huge differences prevailed over more redistributive issues. Building on the Concertación's stated goal of reconciling growth with equity, the first two governments sought to introduce significant changes in economic and social policies established during

⁸⁷ This move towards a reformist program was further facilitated by the fact that the centrist Christian Democracy dominated the centre-left coalition and that centre-right forces within the Christian Democratic Party controlled the coalition's strategy [Silva 1996; Barrett 2002].

the military government, including the reform of the tax system and the labour code. As these issues affected business actors as a whole, the CPC would play an active role during these initial years, acting also as moderator when sectoral preferences differed. To put forward their own demands, business actors would use the system of consultation with the administrations extensively⁸⁸. Similar mechanisms were not offered to labour unions, whose demands were thus not fully acknowledged⁸⁹.

This close articulation between state and business actors was explained by this consensual approach to politics but also by the authoritarian enclaves contained in the 1980 Constitution [Silva 1998]. In the case of the labour movement or wider civil society interests, their participation was hindered by both the lack of adequate access mechanisms and their limited capabilities and internal fragmentation. In an attempt to balance this, in 1994 and 1996 a National Forum for Productive Development (Foro Nacional de Desarrollo Productivo) was convoked by Frei's administration to discuss various policy issues, including regional economic international, exchange rates, labour, taxation, technology and education, among others. These Forums brought together representatives of government, business, and labour, though the latter had a rather subordinate role. Moreover, and building on a joint initiative of the Ministry of Economy and the CPC, several long-term working commissions were established for government officials, the CPC and sectoral associations to meet and define an agenda for action, which would then be further elaborated by the relevant government agency and the research department of the corresponding sectoral peak association [Silva 1998]. Despite these efforts to institutionalize the participation of other non-state actors apart from business representatives, the Concertación maintained the system of interaction established by the military government with business during the last pragmatic liberalization phase.

These practices were not even reversed by Ricardo Lagos (2000-2006) who had to face a more confrontational strategy on behalf of business actors⁹⁰. Their objective was to break

⁸⁸ As we have already seen, Chilean business associations' support for democratization was rather ambivalent, and already under democracy they campaigned against constitutional reforms that may weaken authoritarian enclaves [Silva & Durand 1998:33].

⁸⁹ This was shown in the case of labour code reform, where the draft legislation established that non-union employees would have to pay union dues if they benefitted from contracts negotiated by the unions, which fell short of the CUT's demand for mandatory enrolment [Silva 1998:239].

⁹⁰ This confrontational tactic was also promoted by the fact that the Lagos administration was weaker than the two previous Concertación governments. Apart from the adverse economic conditions Chile had faced since the Asian financial crisis, Aylwin had gathered less electoral support in the presidential election. For the

up the socialists' attempt to construct a social coalition in support of neo-structural economic policy and defeat the more "socialist" policy proposals of the new government, raising thus the electoral perspectives of conservatism [Silva 2002]. This confrontational stance brought to light underlying differences among business actors. As the CPC had been traditionally led by more accommodating sectors than the SOFOFA and more willing to compromise with the Concertación, the industrial association had grown increasingly disappointed with its subordination to the CPC. In the late 1990s, the industrialists broke with the CPC, only to rejoin it shortly after and to regain ascendancy within it. After the legislative struggle over the labour code⁹¹, the SOFOFA elected a more negotiation-prone president, who immediately approached the government with a new proposal: the creation of a joint commission to work on a pro-growth economic agenda they had already designed, turning thus to already established patterns of collaboration between state and business actors [Silva 2002].

In sum, under the Concertación relations between business and government were largely harmonious and mainly channelled through associations. Even if the coalition closed off business representation through appointments to top positions, the democratic governments maintained close contacts with business associations while at the same time moved from dialogue with the CPC to consultation with sectoral associations, among which the SOFOFA would gain enhanced ascendancy.

While the consensus politics promoted greater stability in the relation between state and business actors, throughout this period organized labour's bargaining position was weakened vis-à-vis business. In this sense, the establishment of a Table of Social Dialogue (Mesa de Diálogo Social) that offered a formalized system of interaction between state, business and labour actors for social issues fell short of expectations [Silva 2002]. Labour access to the decision-making process was still unbalanced when compared to that of business actors.

Partly because of 17 years of repression and deprivation under the military dictatorship, this weakening was also a product of the Concertación's change in strategy and priorities as

first time, there had been a second round, where the Concertación barely edged out the conservative opposition led by the Alliance for Chile (Alianza por Chile).

⁹¹ The Lagos administration managed to push through a labour code reform by the end of 2001 and raised corporate income tax from 15 to 17%. Though partial, this was an important reform since it introduced improvements in labour conditions, working hours, and unemployment benefits, among others [Silva 2002].

shown in the case of labour reform, where no substantive changes were made in the labour code while the flexibility of the labour market was not reduced either. This further weakened the CUT. Hence, the sense of menace it once aroused was considerably diminished, being this further exacerbated by the existing divisions within the organization. Even if the CUT could have done more to strengthen its role as a fundamental social actor, the labour legislation enacted during these years rather than promoting the labour movement hindered its development, making it thus difficult for trade unions to stand on equal footing with business [Barrett 1999; 2001; 2002]. On the civil society side, while fragmentation and limited capabilities might account for their loose articulation with state actors, this was also given by the absence of stable mechanisms for formulating demands and opinions.

Finally and showing continuity with the neoliberal technocracy that had ruled under the military regime, the Concertación accepted the principle that technical and not political skills were fundamental in the decision-making process. Already in 1983, after the opening of relative political liberalization, the political forces united by the opposition formulated common objectives through the creation of technical teams (*“equipos técnicos”*) made up of technocrats with expertise in specific policy areas and representing different political parties. Thus, after the establishment of democratic rule in 1990, technocrats, especially those representing the Corporation of Studies for Latin America (CIEPLAN, *Corporación de Estudios para Latinoamérica*)⁹² had a key role in the new government, a tendency that would be maintained under successive Concertación administrations [Silva 1991]. Moreover, democracy allowed for the return of exiles who had obtained specialized academic training abroad and who would also contribute to the high degree of technocratization of the policymaking process.

In sum, Chile’s economic policy made a sharp turn from the state-led industrialization model launched in the 1930s, to market reform in the mid-1970s under military rule, a path that was not reversed by succeeding democratic governments. With the increasing relations between Pinochet and the Chicago Boys, economic liberalism and market reform ideas

⁹² In 1976, a team of highly qualified academics created the CIEPLAN, a research institute initially devoted to the monitoring of the economic policy of the Chicago Boys under Pinochet’s regime and the elaboration of very sophisticated technical studies where they expressed their criticism of the economic policy. Later on, it became a think tank of the Christian Democratic Party and expanded its activities to the elaboration of an alternative socio-economic model. For a deep analysis of the creation and evolution of the CIEPLAN and other think tanks having increasing participation in the decision-making process under democracy, see Silva [1991].

would find their way to decision-makers and continuously spill over to technocrats, business actors, and even, opposing political parties under the Concertación. Apart from this consensus on the benefits of an export-led growth strategy, the articulation between state and non-state actors has maintained, though with some important nuances, three main characteristics. In the first place, business actors have traditionally enjoyed access to the decision-making process, an extended practice that only Allende seems to have more openly challenged. Second, along with business interests, the timid technocratization that started in the early 1930s would deepen along the years as state-society relations reinforced the consolidation of technocratic roles and a technocratic policy approach. Finally, and regarding the involvement of labour and civil society actors, their weakness and intense dependence on political parties, who have historically dominated Chile's political and social life, seems to have hindered their development as social and political actors, a debility reinforced by their marginalization from the decision-making process.

5.3. Some initial comparative findings

The onset of the Great Depression led Argentina and Chile to pursue highly statist economic models based on industrialization through the substitution of imports. This inward-looking development strategy was not only aimed at promoting industrialization through the direct intervention of the state in the economy, but was also intended to include the interests of working classes through a social reform programme. In this sense, it constituted both an economic and political project. Already in the 1960s, this development model began to reach its limits, leading to profound economic and political crises, which would lead to a wave of market-oriented reform programs aimed at stabilization and structural adjustment one decade later. Still, the actual implementation of these reform programs showed important differences regarding timing and sequencing. In time, these differences would be even deeper as both countries seemed to grow further apart.

Chile initiated a path towards radical market reform program under the military dictatorship in the mid-1970s and has since remained on track even after democratic restoration. Argentina, after some initial hesitant initial moves, finally embraced economic liberalism in the 1990s. Notably, this rapid and thorough market reform program was undertaken in a context of full-fledged democracy. The 2001-2002 crisis would end this

model and in its place, a new model based on an active role of the state through export promotion was established.

These important variations in terms of the economic strategies both countries followed, especially regarding the implementation and maintenance of the free-market model, are not solely explained by the particular international scenarios they faced. In fact, they are the result of the particular role and nature of the state in each country and the mechanisms through which political and social demands were accommodated. In other words, the particular ways in which countries responded to these structural contexts were path-conditioned: they depended on the historical and politico-institutional development of each country, on the one hand, and on the constellations of state and non-state actors activated in each institutional setting, on the other.

In Chile, the market reform process was ushered by economic and political crises. Being implemented under a dictatorial regime, the government had more margin of manoeuvre as it had to face less political obstacles. Still, as the liberalization process advanced and as state actors attempted to reduce their vulnerabilities and move forward the trade liberalization agenda, they sought the support of particular groups or coalitions. These search for support oscillated between more internationalized conglomerates and local industrialists. Thus, while labour and other civil society actors were persecuted, business actors enjoyed direct access to policymakers and even managed to have representatives in particular public institutions. This tendency towards direct participation in the policymaking process was not new as shown by the experience of the 1960s when business leaders were appointed to top ministerial positions. However, even when institutionalized channels were available, the articulation between state and large business proceeded through informal and highly personal channels.

This pattern of articulation was also present in Argentina in the mid-1990s, even if in this case stable patterns of formal access seem to have been absent throughout most of the period here examined. Access was granted though sporadically to overcome particular perceived governmental vulnerabilities. The high political instability the country underwent during most of the 20th century left minimal room for the institutionalization and consolidation of business representation. Transition to democracy in the 1980s saw the emergence of a new pattern of articulation between state and business actors: the direct interrelation between public officials, including the President and fundamental economic

ministers, and the representatives of large business conglomerates, such as the Captains of the Industry. Years after representatives of these conglomerates were designated as ministers of economy. This new approach to business may be explained by the fact that business organizations were then highly divided and fragmented. In fact, factionalism has been an enduring feature of business actors in Argentina, partly motivated by the highly politicized nature of state-societal relations since Peronism.

Certainly, this privileged access to decision-making in Chile has in time given way to enhanced institutional leadership and capabilities. Moreover, it has been fundamental in their adoption of the free trade credo. Liberalization led to important adjustments and adaptations, being the result the emergence of consensus on the fundamentals of the market economy. Even industrialists interests under SOFOFA finally converted to the free market creed. Moreover, this consensus would extend to society at large and, more importantly, to opposing political leaders as shown by the Concertación.

In the case of Argentina, the lack of positive state incentives combined by the rivalry among and within business organizations hindered the development of institutional capacity and leadership. Argentina, on the other hand, has exhibited a more complex picture in terms of the alignment of business interests with market liberalization and free trade. While staunchly supported by the largest economic sectors that, with the aid of various state mechanisms, had gone through a learning process and had thus, become internationally competitive, in the case of the UIA, trade liberalization was only met with ambivalence. The emergence of such a consensus regarding the benefits of free trade seems far from fructifying given the complexities of the structure of interests.

Clearly, the pattern of state-business relations cannot be analyzed without referring to other non-state actors, especially when analyzing market reform programs which are expected to raise the opposition of labour unions. In fact, the state is the locus where clashes between social groups demanding a voice in the decision-making process and trying to influence the political process occur.

In Argentina, the market reform program had to face greater obstacles as this was implemented in a democratic context. Still, and given the close ties between the Menem administration and the Peronist trade unions, the government successfully resorted to different strategies intended to gain labour acquiescence with the radical reform process. Such a strategy was not necessary in Chile, where the labour movement and civil society

organizations have remained more dependent on party politics and have thus developed weaker structures and institutional capabilities. In both countries, these actors have not relied on stable institutionalized access to the decision-making process, except for some particular moments, but this denial is more evident in Chile given the privileged dialogue business actors have traditionally enjoyed with the highest strata of political power.

Finally, the participation of academics and experts, leading to the articulation of policy networks, was a trait of the structural reform program implemented by both Pinochet and Menem, a practice that succeeding governments would, to a certain extent, leave in place, though with quite a different policy orientations. However, this “knowledge politics”, contrariwise, has been an extended practice in the case of Chile, where the idea of technical and apolitical policies flourished before the inward-looking development strategies were put in place and has transcended both the military government of the 1970s and democratic restoration.

This strategy of unilateral trade liberalization was then combined with the promotion of multiple strategies including trade negotiations both at the regional and multilateral levels aimed at further opening the economic to international trade. How did state and non-state actors interrelate and articulate when dealing with the challenges and novelties brought about by the simultaneous trade negotiations Argentina and Chile faced since the 1990s?

CHAPTER 6

TRADE GOVERNANCE IN ARGENTINA

After maintaining its economy closed and isolated for more than 50 years, by the mid 1980s, Argentina immersed itself in a process of trade liberalization. Apart from the ill-coordinated market reform attempted under military rule in the mid-1970s, almost 20 years later Argentina underwent a far-reaching trade liberalization process, which was undertaken, in contrast to Chile, by democratic governments. Nevertheless, this process has shown swings and reversals reflecting the different degree of commitment of the successive administrations as the emergence of consensus on this issue has remained elusive. Trade policies in Argentina had been traditionally erratic and volatile, a tendency that would not be completely reversed after market reforms were introduced.

Initial unilateral liberalization was complemented with reciprocal strategies, leading to the reduction in tariffs and effective protection, and the elimination of import prohibitions and licences [Tussie 2003a]. Regional and multilateral agreements worked as lock-in-devices as they limited the scope for policy reversal, while at the same time evidenced the country's commitment to reform. However, this liberalization process was highly determined by the country's ascription to MERCOSUR – the regional bloc created in the early 1990s in tandem with Brazil to pursue a model of deep integration. MERCOSUR constitutes a customs union that aspires to become a common market, an objective to be accompanied by the promotion of structural convergence, competitiveness, and social cohesion of the least developed regions.

Starting with MERCOSUR, as the trade liberalization strategy moved on to include agreements with third countries – including both developing and industrialized countries – while at the same time participating in the WTO arena, it posed new and greater demands to actors who had only recently embarked in a deep process of market liberalization.

Did the development of multiple and simultaneous negotiation arenas promote a transformation in the ways in which state and non-state actors had traditionally defined their interests and strategies?

This chapter is intended to shed some light into this question by exploring the constellations of interests and articulations that emerged in the context of particular trade

negotiations. To what extent did these broader and more complex trade fronts lead to different patterns of articulation between state and non-state actors?

6.1. Going South or symmetric regional negotiations

Symmetric trade negotiations have involved neighbour countries – namely, the Andean Community, Bolivia, Chile, Mexico, and Peru – but also extra-regional ones, including, China, India, and South Africa. However, when facing external trade negotiations – involving both developing and developed partners – MERCOSUR served as the basis upon which Argentina's position was formulated and implemented.

The creation of MERCOSUR in the early 1990s contributed to changing trade policy procedures and practices. The regional agenda required enhanced coordination and capabilities in terms of both state and non-state actors. Still, some dimensions of the trade policymaking process showed continuity with the decision-making procedures that had prevailed during the ISI phase. This was mainly explained by the fragmentation and limited capabilities of public officials and non-state actors, namely business organizations.

On the public side, trade policymaking and implementation was the responsibility of the Secretariat of Industry, Trade and Small and Medium Sized Enterprises of the Ministry of Economy, while trade negotiations and export promotion activities were coordinated and implemented by the Ministry of Foreign Relations, International Trade, and Worship, which also centralized Argentina's participation in MERCOSUR after its creation.

Fragmentation and fragile public institutions was then the main trait of trade policy formulation and negotiations. Even if the National Section of the Common Market Group, within the Ministry of Foreign Relations, was intended to provide a space for exchanging information and coordinating national positions, this mechanism could not overcome neither the existing fragmentation and dispersion of responsibilities nor the conflictive views across public agencies [Bouzas 2004].

The private sector, though with some nuances, also exhibited fragmentation, structural weaknesses, and limited capabilities and expertise for involvement in regional trade negotiations. Business actors would generally assume defensive postures and resort to the traditional lobby strategies to demand protection or ad hoc measures intended to reduce competitive pressures on their particular sector. While these strategies would be more

prominently followed by industrialist interests, the agricultural sector would show a rather offensive attitude towards trade liberalization.

Within this context, the intense intra-regional activity combined with MERCOSUR's active external agenda posed new challenges and demands on state and non-state actors in terms of their institutional leadership and capabilities.

a) Trade negotiations with Chile: a first attempt at expanding MERCOSUR

Chile turned out to be the first and hence, the most challenging case for the recently constituted bloc. Just 18 months after acquiring international legal personality through the Ouro Preto Protocol (December 1994), MERCOSUR broadened its borders to include Chile. Already in 1991, Chile had been invited to join the Southern bloc as a full member, but this invitation was rejected by the trans-Andean country on the basis that this would condition its trade strategy. In June 1994, negotiations would be finally launched but this time they were directed towards an association agreement under a "4+1" scheme, which would grant Chile market access under preferential conditions over third countries without having to curtail its external trade policy. Two years later, an agreement was signed between MERCOSUR and Chile, which was elaborated within the LAIA framework as a Partial Scope Economic Complementation Agreement (ECA). Apart from establishing the creation of an FTA within the next 10 years through the expansion and diversification of bilateral trade and the elimination of tariff and non-tariff barriers, the agreement was intended to promote economic, energetic, scientific, and technological cooperation. Physical integration was also part of the agreement through a parallel protocol. Chile became thus the first associated member of MERCOSUR.

From a strictly domestic perspective, the launch of negotiations with Chile was of especial interest for the government. However, the two traditional actors in trade policy – the Ministries of Economy and Foreign Relations – held different positions regarding the enlargement of MERCOSUR through the incorporation of Chile. Already by then, the traditional division between trade policy design and implementation, on the one hand, and trade promotion, on the other, had been reinforced.

In 1992, an institutional reform granted the Ministry of Foreign Relations most of the responsibilities related to the design and implementation of promotion policies and the formulation of trade negotiation strategies, which until then had been under the area of influence of the Ministry of Economy. These responsibilities now relied heavily on the Undersecretariat of International Trade, under the Secretariat of International Trade and Economic Relations, whereas the Ministry of Economy was still responsible for the definition and implementation of trade promotion instruments and other essential areas of the trade negotiation agenda. While the definition of trade policies relied on the Secretariat of Industry, the Undersecretariat of Trade Policy and Management was the specific agency responsible for defining foreign trade policy. Other Secretariats within this ministry were also part of the decision-making process. Based on Law 24.190/92, this institutional transformation was explained by the Executive's prioritization of the trade agenda in Argentina's foreign relations, but also but by existing competitions and rivalries among public agencies, especially between the Ministry of Economy, a well-equipped ministry and of great ascendancy within the Executive, and the Ministry of Foreign Relations.

Nevertheless, in practice, this institutional fragmentation between trade policymaking, implementation, and promotion remained rather blurry and generated more often than not, conflicts and struggles between both ministries. This blurriness also allowed much room for manoeuvre to the extent that persons in charge of specific agencies turned out to be fundamental pieces when explaining particular political strategies or decisions. As one of the interviewed experts expressed, when analyzing the decision-making process it is fundamental to see *who* is in charge of a particular ministry, secretariat, or undersecretariat. Apart from the organigram, attention should be given to the "*persona-grama*"⁹³.

Moreover, during the early years of MERCOSUR, decision-making regarding regional integration was highly centralized in the Ministry of Foreign Relations that had so far retained full responsibility over the definition of the country's position in the bloc's affairs, and which despite its meeting-prone culture was then rather reluctant to open up dialogue to non-state actors.

Within this institutional context, negotiations with Chile arouse divergent positions in the two leading ministries. While the Ministry of Economy sustained a more pragmatic approach on the basis that MERCOSUR was mainly an economic and commercial

⁹³ Interview with trade expert, Buenos Aires, 14 November 2007.

enterprise, within the Ministry of Foreign Relations, the predominant stance was that the Southern bloc was not only a trade agreement and that it also included a social and political dimension. Thus, whereas the Ministry of Foreign Relations was actively building political will for deepening MERCOSUR and promoting its enlargement, the then Minister of Economy, Domingo Cavallo, proposed delaying the establishment of a Common External Tariff (CET) to allow Chile to join MERCOSUR, fulfilling thus its idea of the Southern bloc as an economic initiative. In fact, the head of the Ministry of Economy was reluctant to deepen MERCOSUR and refused the idea of establishing a CET with Brazil on the basis that this instrument would reduce the country's autonomy in trade policy, which in the context of the Convertibility Plan was the only area where economic policy could be implemented [Botto & Bianculli 2009b].

Finally, the President would swing the balance in favour of an agreement with Chile, as he was deeply interested in advancing the bloc's external agenda. Already in December 1995, when Carlos Menem assumed the pro-tempore presidency of the bloc, he demanded public officials and negotiators that his six-month term of office should be recognized by MERCOSUR's active external trade agenda, which included not only Chile, but Bolivia, the FTAA and negotiations with the EU as well⁹⁴.

This interest in building consensus and political will for MERCOSUR may account for the consultation process the Ministry of Foreign Relations promoted with the provinces. In an attempt to collect the negotiation preferences of public officials and the private sector in the provinces, the Undersecretariat of American Economic Integration and MERCOSUR, under the Secretariat of International Trade and Economic Relations, put forward several consultations with provincial trade secretaries. In doing so, negotiators and public officials in Buenos Aires made extensive use of the network of offices that Export-Ar Foundation (Fundación Export-Ar) had established across the country. Led by the Secretariat of Trade and International Relations, Export-Ar Foundation⁹⁵ was not directly involved in trade negotiations, though it did have a role during the negotiations with Chile in the mid-1990s. However, consultations were not very fruitful: the Ministry did not receive many proposals,

⁹⁴ See, among others, "Menem quiere liderar el MERCOSUR", *Economía, La Nación*, 25 March 1996, and "Días claves para un acuerdo", *Economía, La Nación*, 17 June 1996.

⁹⁵ The Export-Ar Foundation was created by the Ministry of Foreign Affairs in 1993 as a mixed and non-profit organization to support exporters and provide various services, including the diffusion of information on foreign markets opportunities, advice and training, and the organization of trade fairs and missions abroad, the for companies and the advice and training.

which mostly came from the more developed provinces, as in the case of the winery sector in Mendoza⁹⁶.

The provinces had assumed a more active role in trade issues after the return to democracy, as shown by the creation of specialized departments and public agencies both at the provincial and municipal levels, the establishment of export-promotion institutions, and the opening of trade offices abroad [Bouzas & Soltz 2005]. This role was then further reinforced by the 1994 Constitutional reform, which granted the provinces the power to enter into international agreements. However, by then these mechanisms and procedures appeared to be too immature to allow provincial state and non-state actors play an active role in the negotiation process with Chile. This low level of participation was thus showing the underlying asymmetries between Buenos Aires and the Interior, not only in terms of the level of interest these negotiations arose but also regarding their technical capabilities.

Nevertheless, these limited capabilities were not exclusive of the public sector in the provinces. The Secretary of International Trade and Economic Relations, Jorge Campbell, who led the Argentine team of negotiators and had to confront the Chilean team, under the direction of Carlos Mladinic during more than 50 meetings, recognized that *“the Chilean negotiators are very good; very, very good negotiators; Chile is a country that negotiates very well”*⁹⁷. This was even reinforced by key official reports that suggested that the Chilean negotiating team was better equipped to deal effectively with the trade agenda at stake, and was able to take advantage of the diverging interests across MERCOSUR larger member countries [Campbell 1999]. Argentina viewed the agreement with Chile as a way of getting access to the Pacific, but more importantly as a way of consolidating peace with the neighbouring country and strengthening the negotiating position of the bloc within the FTAA while balancing Brazil’s influence in MERCOSUR. Brazil, on the contrary, perceived it as way of consolidating the bloc that he aspired to lead, especially when facing future negotiations in the region [Bouzas & Fanelli 2001]. Despite these differences, the priority Argentina gave to this agreement and the interest of Brazilian government to proceed with the initiative, mainly accounts for the launch of this negotiation process, which would set the framework for upcoming negotiations with other LAIA countries [Bouzas 1999].

⁹⁶ Interview with trade diplomat, Buenos Aires, 29 July 2008, and with public official, Buenos Aires, 30 July 2008.

⁹⁷ Interview with Jorge Campbell, in “Comienza a regir la asociación de Chile con los países del MERCOSUR”, Economía, La Nación, 30 September 1996.

At the domestic level and as already explained, major decisions regarding MERCOSUR were concentrated within the Ministry of Foreign Relations, who still had to coordinate its negotiating position with the Ministry of Economy despite their divergent views and in a context of limited institutional capabilities and trade expertise. Some relatively minor strategies were deployed to make up for these limitations, apart from the consultations with the provinces, being these mostly directed to reedit previous experiences with the private sector.

Based on its highly specialized information and capabilities, the Chamber of the Chemical and Petrochemical Industries (CIQyP, Cámara de la Industria Química y Petroquímica) had a very proactive role. Immediately after the launch of these negotiations together with its MERCOSUR counterparts, addressed the four national governments and offered to develop a joint proposal regarding the incorporation of the Chilean petrochemical and chemical industry. The four chambers managed to harmonize their differing interests and elaborated a joint sectoral proposal that was presented to the national governments and then accepted as part of the agreement. Thus, *“we spared our national governments of performing a task for which they still lacked the necessary technical capabilities”*⁹⁸. This joint collaboration among the sectoral organizations and between them and the governments promoted their mutual trust even further. In fact, the CIQyP’s experience in trade negotiations dated back to the 1980s, when the Latin American Petrochemical and Chemical Association (APLA, Asociación Petroquímica y Química Latinoamericana) was founded, being the active relation and articulation between the Argentine and Brazilian industries within LAFTA and LAIA negotiations, the main starting point. Based on this, in 1986 when both governments were discussing the PICE, the CIQyP and its Brazilian counterpart elaborated a document, which was then the basis for the harmonization process of regional tariffs [Botto & Bianculli 2009b]. Following the negotiations with Chile and as Argentina faced other trade initiatives, the CIQyP would consolidate as a referent for public officials and negotiators, leading hence to the strengthening of a working relationship between state actors and the sectoral association.

In a similar vein, the government solicited the expertise of the Argentine Institute of Standardization and Certification (IRAM, Instituto Argentino de Normalización y Certificación), which was asked to provide public officials and negotiators with support on

⁹⁸ Interview with business representative, Buenos Aires, 30 November 2007.

technical barriers to trade and other protection measures⁹⁹. These consultations were based on a regional and domestic factor. In 1991, during the process of creation of MERCOSUR, IRAM together with its three counterparts established the MERCOSUR Committee of Normalization (CMN, Comité MERCOSUR de Normalización), which laid the foundations of the joint management of voluntary regional normalization and standardization under the MERCOSUR Association of Normalization (AMN, Asociación Mercosur de Normalización) in 2000. At the domestic level, in 1994 this NGO was legally recognized as the national organization for normalization and was given the role of advisor to the government on normalization and other related issues in international and regional fora (Decree 1474/1994).

The collaborative strategy deployed by the CIQyP and the IRAM was the result of their own capabilities and expertise in areas that demanded sector-specific information. In turn, these capabilities, which were reinforced by their linkages with regional counterparts, allowed them to develop a cooperative articulation with public officials and trade diplomats even if this was mainly ad hoc and irregular. Similarly, the COPAL would also assume an active and collaborative stance towards the agreement with Chile, reediting thus their role during the negotiations within the PICE. These however, appeared to be an exception.

Collaboration was not the prevailing strategy among other business actors. A more general skepticism and protectionist attitude permeated the strategies of other industrialist interests, also under the UIA. In fact, the launch of the negotiations with Chile ran parallel to the definition of the CET, which was viewed with great skepticism by industrial interests: *“Some business sectors speculated that deadlines would not be met, as it is always the case in our countries. Thus, when it was announced that MERCOSUR would start working after 1 January 1995, and the Ouro Preto Protocol was signed, only then some businessmen started to ask what MERCOSUR was, how it worked”*¹⁰⁰. A similar view pervaded agricultural interests. During the negotiation process, the Secretary of Agriculture convoked the private sector but business actors would react with great scepticism to a project that they viewed as never coming true and thus, having no impact on their sector. As put by one of our interviewees: *“The Director always said that 1994 would finally come, the agreement would come into force, and only then would business actors be*

⁹⁹ Interview with civil society representative (2), Buenos Aires, 23 November 2007.

¹⁰⁰ Interview with business representative, Buenos Aires, 19 November 2007.

*interested in participating*¹⁰¹. The fact that the Minister of Economy was also opposing the agreement contributed to these perceptions among the private sector.

While scepticism and protectionist interests predominated within the UIA, at the regional level, the political influence of the recently created MERCOSUR Industrial Council (CIM, Consejo Industrial del MERCOSUR) was not noteworthy. Composed of the peak industry organizations in the four member countries, the CIM was created in 1993 as a forum for the exchange of information between these actors, but was then largely ineffective as a mechanism for channelling private actors' input in external trade negotiations. Although after 1994 meetings within the CIM and within its specialized working groups increased in number and frequency, divergent interests hindered the elaboration of joint proposals and strategies [Maxfield 2004; Schneider 2004a].

Regarding the participation of civil society actors, the moment negotiations with Chile were launched, the MERCOSUR project, and its external relations remained a highly top-down process where the Executives had a leading role. In addition, several pressing issues concentrated the attention of labour unions at the domestic level, including the labour reform and the impact of structural transformations on salaries, rising unemployment and working conditions. At the same time, CSOs and NGOs were also undergoing important changes because of the structural reform process. Their agendas were more directly related to domestic issues. Since democratization, these groups had focused their energies towards national politics and the promotion of democracy at the national level [Jacobs & Maldonado 2005]. Still, by the end of 1994 and concomitantly to the domestic scenario, trade unions, consumers, and environmental NGOs started debating the labour, social and environmental problems arising from integration, including the impact of MERCOSUR's enlargement. Thus, for example, the CGT, by then the only trade union standing for labour actors both at the domestic and regional levels, prioritized the effects that new labor legislation could have on social rights. Still, within the negotiation process with Chile, this demand did not lead to a defensive stance. In fact, the agenda regional networks – such as the Southern Cone Coordinator of Central Trade Unions (CCSCS, Coordinadora de Centrales Sindicales del Cono Sur) born in the context of re-democratization processes in 1986 – were promoting, was highly positive given that with the exception of a few sectors, labour costs were rather homogeneous in the region [Portella de Castro 2000]. Moreover,

¹⁰¹ Interview with public official (1), Buenos Aires, 16 July 2008.

they expected regional integration to enhance and strengthen social and environmental standards and regulations [Botto 2004b].

b) Trade negotiations with Mexico: when going South is going North

While the agreement with Chile was being negotiated, the MERCOSUR launched negotiations with Mexico. This was part of the bloc's commitment to terminate all pre-existing bilateral preferential agreements that were to be replaced by new and multilateralized preferential agreements within a 10-year period [Bouzas 1999; Campbell 1999]. Thus, the main objective of this negotiation was to substitute existing bilateral agreements that each of the countries had with Mexico and renegotiate them according to the "4+1" scheme already adopted with Chile. Nevertheless, negotiations turned out to be more complicated than originally expected.

Mexico who was already a member of NAFTA, refused to extend the preferences conceded to Canada and United States to other LAIA members, failing thus to comply with the principles of the Interpretive Protocol of Article 44 of the Treaty of Montevideo. Several meetings were held between Mexico and the four MERCOSUR members to address this conflictive situation and on 28 August 1996, both parties agreed to start formal negotiations for a new trade agreement. However, by the end of 1997, differences soon emerged among the member countries in terms of their expectations regarding this agreement as the costs and benefits of market access concessions would be unevenly distributed across the four countries. Whereas Brazil would make the most significant concessions if informatics, electronics and telecommunications were to be included in the agreement – as required by Mexico – Argentina and Uruguay would largely benefit from the liberalization of agricultural trade. These discrepancies hindered negotiations, and finally, in December 1997 the four member countries took different paths regarding the negotiation of previous bilateral agreements with Mexico¹⁰². Finally, in 2002, after years of delayed negotiations, all parties signed ECA 54, which established a legal framework for trade relations between MERCOSUR and Mexico, and bilateral negotiations between member countries and Mexico. While this agreement led to the signature of an FTA

¹⁰² See, *inter alia*, "Menem intentará atraer a México", *Política*, La Nación, 26 November 1997; "México-MERCOSUR se firma en diciembre", *Economía*, La Nación, 13 June 1997, and "México no entrará en el MERCOSUR", *Economía*, La Nación, 12 December 1997.

between Mexico and Uruguay, and the extension of the scope of the ECA with Argentina and the one with Brazil, in 2004 MERCOSUR member countries approved the commencement of negotiations to extend the ECA 54 towards an FTA. Moreover, it was announced that Mexico would become an associated member. In 2005, formal negotiations were launched towards an FTA.

However, in 1996, the moment negotiations were first launched, apart from the differences across MERCOSUR members, the deepening of their own integration process and the multiplication of external trade negotiations entailed an extremely challenging scenario for the recently constituted bloc.

To the increasing pressures on the bloc as such, as MERCOSUR's external agenda gained momentum it raised new demands and requirements for domestic actors as well. On the public side, negotiations with Mexico were still carried amidst unstable and conflictive coordination patterns between the Ministries of Economy and Foreign Relations. Still, as the Ministry of Economy's capabilities to define and provide technical support to trade policy declined, the Ministry of Foreign Relations increasingly assumed a more active role in the definition of trade policy guidelines and the implementation of negotiations strategies within MERCOSUR but also in negotiations with third countries or partners.

In terms of state actors' technical capabilities and expertise, it is worth mentioning a recurrent pattern during most of the period under study: the division between office holders and a small but stable technical cadre. This was specially striking in the case of the Ministry of Economy, in areas such as the Secretariat of Industry and the Secretariat of Agriculture, Livestock, Fishing, and Food, which since the mid-1990s had been actively involved in international trade negotiations. In these areas, personnel under professional services contract – commonly referred to as “*contratados*” – worked as the articulating mechanism between public agencies and departments but also with business actors¹⁰³. There was thus a particular dynamic of liaison across agencies and within the private sector. Despite its informal and ad hoc character, it formed the basis for the development of the national position in negotiations as those with Mexico. This gap between office holders and technicians and experts would be even widened under two particular circumstances: when negotiations gained in complexity, and when those politically responsible for trade

¹⁰³ Interviews with different business representatives.

negotiations lacked this expertise, two elements which would become especially acute when dealing with asymmetric trade negotiations, as we will explain in the next section.

In the mid-1990s, as negotiations with Mexico advanced, the then Secretary of Industry, Alieto Guadagni, created the Centre for Production Studies (CEP, Centro de Estudios de la Producción) in an attempt to develop its technical capabilities. Financed through the United Nations Development Programme (UNDP) and the Inter-American Development Bank (IADB), the CEP was intended to reproduce the experience of the Ministry of Foreign Relations' in-house technical unit, the International Economy Centre (CEI, Centro de Economía Internacional), showing thus the persistence of underlying conflicts and competition between these two ministries.

The CEI was created in 1987 under the aegis of the Secretariat of International Trade and Economic Relations and had since developed surveys on regional integration and international trade to provide technical assistance and specialized information to officials and various ministerial areas, and collaborate with the design and implementation of trade policies. Contrariwise, the CEP assumed a more sector-based approach in the elaboration of statistical analyses and provided technical support on a broader range of issues regarding economic and trade performance [Bouzas & Soltz 2005; Botto 2009]. Even if both think tanks were in charge of undertaking specialized studies to support trade negotiations, no specific proposal has been identified regarding trade negotiations with Mexico. Different factors hindered a more fluid relation between those providing technical support and public officials and negotiators: the lack of an adequate prioritization of demands, the absence of proper linkages among agencies, and competition for funds, among others [Botto 2009; Botto & Bianculli 2009b].

This fragmented and loosely coordinated pattern on the public side did not offer a fertile terrain for the development of structured and formal consultations with non-state actors. During the negotiations with Mexico, consultation was limited to business associations and remained highly informal. These were led by the Secretariat of Industry within the Ministry of Economy, and to a lesser extent by the Secretariat of Trade and International Economic Relations of the Ministry of Foreign Relations. More importantly, liaisons with the private sector remained ad hoc. Consultations were carried out for each negotiation, as in the case of Mexico, and mainly consisted of surveys and meetings – both formal and informal – with business actors, including not only third grade associations, as in the case of the UIA,

but also sectoral or even dialogue at the companies level. For business experts, this strategy, which was especially evident in the Ministry of Foreign Relations since the mid-1990s just when negotiations with Mexico were launched, was a “*divide to reign*” policy [Gargiulo 2003:50]. However, this approach was to a certain extent justified by the industrialists on the basis that the negotiation with Mexico, and in general terms South-South negotiations, entailed granting reciprocal fixed tariff preferences or partial ones. In order to elaborate these lists of preferences, the government had to consult sectoral business organizations¹⁰⁴.

Regarding the participation of business actors in the negotiations with Mexico, a Mexican-Argentine Group was created in November 1996 during the visit of the Mexican President, Ernesto Zedillo, to Argentina. This forum brought together the highest representatives of the Argentine and Mexican business sectors, which until October 1997 held three meetings [Kreckler 1997]. However, this bi-national group was limited to large multinational companies, such as the iron and steel Techint, and the leading business associations, including the UIA, the SRA, and the CAC¹⁰⁵. Second, once again, particular sectors took the lead and elaborated joint proposals for the negotiation concerning their specific products. Despite the bilateral character of this business forum, representatives of the five countries in the chemical, petrochemical and the dairy sectors elaborated a common sectoral position that was then presented to the governments¹⁰⁶. At the domestic level, this initiative was led by the CIQyP who was thus reediting its previous experiences in trade negotiations, and deepening even further its expertise and leading role in advising trade diplomats and public officials.

While the CIQyP and COPAL were by then already developing strong articulations with public officials and, though to a lesser extent, with negotiators, the UIA as such was only initiating this path towards enhanced professionalization and specialization in trade negotiations. In 1993, the UIA created the MERCOSUR Department, which turned out to be a by-product of the regional integration process of which the industrial association had not been a strong supporter in its initial phase and which had also regarded as not really

¹⁰⁴ Interview with business representative, Buenos Aires, 19 November 2007.

¹⁰⁵ See “México quiere aumentar el intercambio comercial”, *Economía, La Nación*, 13 November 1996.

¹⁰⁶ Interview with Jorge Campbell, Buenos Aires, September 1997, available at <http://www.ccam.org.ar/follejc.html>, accessed 16 June 2010.

happening¹⁰⁷. This department was intended to represent industrial interests within MERCOSUR and as the bloc's external agenda enlarged, it was held responsible for the systematic monitoring of trade issues and negotiation processes. The creation of this specialized unit within the leading industrial association showed that leaders in the sector now acknowledged the need to develop specific abilities and expertise if they were to have an effective role in the integration process and in international negotiations. In addition, already by then the UIA leader, Blanco Villegas, recognized the importance of enhancing business participation in trade negotiations if they were to support these processes¹⁰⁸.

The weekly plenary sessions held by the MERCOSUR Department constituted a fundamental space for the diffusion of information on the evolution of trade negotiations, but also for the presentation of sectoral proposals and recommendations. However, the most active participants in these meetings were the same business actors actively engaged in the negotiation process with Mexico. These included the CIQyP, the COPAL, the Chamber of Industrial Food Products Manufacturers (CIPA, Cámara de Industriales de Productos Alimenticios), the Argentine Association of Metallurgical Industry (ADIMRA, Asociación de Industriales Metalúrgicos de la República Argentina), and the Center of Iron and Steel Industrialists (CIS, Centro de Industriales Siderúrgicos) led by Techint [Robin 2008:151]. This showed the existence of contrasting and divergent interests within the UIA. With the exception of a small number of sectors – the petrochemical, food, dairy, automotive, and steel and iron sectors – the UIA has showed a rather defensive stance towards this negotiation, a pattern of interest definition also to be observed in other negotiation scenarios.

In terms of civil society actors, the empirical evidence suggests that what had already been experienced during the negotiation with Chile was still the norm during the course of negotiations with Mexico. At the regional level, the recently created Economic and Social Consultative Forum (FCES, Foro Consultivo Económico y Social) intended to provide a consultation channel for business, labour, and CSOs representatives. Still, by then, the FCES was still embryonic, as it had been established within the MERCOSUR institutional structure in 1995 following the Ouro Preto Protocol of 1994. Moreover, its impact was modest given its consultative character and its few decision-making powers, which was

¹⁰⁷ Interview with business representative, Buenos Aires, 19 November 2007.

¹⁰⁸ See "Negocian un acuerdo con Chile", *Economía*, La Nación, 27 November 1996.

further exacerbated by its composition. Bureaucratic rules hampered the participation of a wide range of non-state actors so that business and labour organizations had a dominant role within the FCES, especially during the initial years.

Inclusion in the decision-making process was not substantially different at the domestic level. While domestic mechanisms to allow civil society input were almost negligible, the mobilization of trade unions and NGOs in the context of the negotiation process with Mexico has been thin and rather weak. To some extent, this is explained by the limited scope of the agreement and by the traditional collaborative stance of these actors towards these symmetric integration processes as a way of enhancing social and labour norms.

c) Trade negotiations with India: a symmetric and extra-regional agreement

Negotiations with India were launched on 17 June 2003 and were part of the multipolar trade strategy encouraged by the then Vice-counselor and Minister of Foreign Relations and International Trade, Martín Redrado (2002-2004). Aimed at opening multiple and simultaneous negotiation scenarios, this strategy was based on two basic areas of action, different though interconnected: the search for new markets through international trade negotiations and the development of existing markets – or “trade intelligence” – to detect new opportunities for Argentine products in international markets [Redrado 2003; Redrado & Lacunza 2004]. Building on the idea that during the four previous decades Argentina had failed to develop a consistent exporting model and the recurrent financial crises, Redrado argued that the 2001 crisis and the consequent devaluation constituted a window of opportunity for developing a more aggressive trade policy. This should go beyond false antinomies – MERCOSUR vs. FTAA, or FTAA vs. EU – and use the regional bloc as springboard for the integration into the world economy [Redrado 2003]. The multipolar trade strategy involving multiple and simultaneous negotiation scenarios entailed replacing the “or” with “and” as the basic underlying concept¹⁰⁹. Based on MERCOSUR as a collective platform, Argentina would continue negotiations at the WTO, within the FTAA, and with the EU and the CAN, while pursuing negotiations with China, India, Mexico, South Africa, and Thailand.

¹⁰⁹ See “ALCA: las cartas sobre la mesa”, *Opinión*, La Nación, 14 November 2002.

Trade negotiations with India led to the signature of a preferential trade agreement (PTA) in January 2004, being this, the first trade deal between MERCOSUR and an Asian country. The aim of the agreement, which was intended to be a first step towards the creation of a free trade area, was to strengthen existing trade relations between MERCOSUR and India and promote the expansion of trade by granting reciprocal fixed tariff preferences. In addition, the PTA included provisions on trade measures, including rules of origin and safeguard measures in conformity with WTO rules. A Joint Administration Committee was also created to evaluate the process of trade liberalization among the parties and to propose further strategies in the path towards an FTA.

The negotiation process with India was part of the new trade strategy the Ministry of Foreign Relations was implementing, which entailed a rupture with the trade policy model – or “non-model” – that had prevailed for the last 10 years. In order to build further substance to this new strategy and ensure its sustainability, important changes were introduced within the Ministry of Foreign Relations to promote institutional capabilities and leadership but also to engage with non-state actors.

Regarding the institutional capabilities of the Ministry, the CEI was given more prominence. In 2002, this in-house think tank launched the “Series Studies of the CEI” (Series Estudios del CEI) that was based on the results of highly sophisticated impact analyses that were being conducted for the first time¹¹⁰. Either from a more general perspective or by focusing on particular trade negotiations, these studies deployed the impact of different negotiation scenarios only to conclude already in their first report “*that all the simulated trade agreements are beneficial for Argentina*” [CEI 2002:1]. Mostly funded by the Secretariat of Trade and International Economic Relations but also by the UNDP and the IADB, these studies provided technical support for the new multipolar trade strategy. In 2004, a study presented the opportunities and menaces that South-South trade entailed for Argentina and concluded that out of the 45 developing countries included within the Global System of Trade Preferences, India was among the six countries offering the most important trade opportunities as a destination market [CEI 2004:12].

¹¹⁰ The series started in 2002 and 10 issues were published until 2005. Two years later, it was resumed and three more studies were issued until 2009. For further details on the contents of the series, see <http://www.cei.gov.ar/html/serie.htm>, accessed 18 June 2010.

Nevertheless, facing multiple and simultaneous negotiation arenas demanded not only technical competencies and expertise but also enhanced coordination abilities to assure institutional leadership in all these various fronts. On the one hand, the role of the Ministry of Foreign Relations in the implementation of trade negotiations was reinforced and “*the Foreign Office became a stronger actor in trade negotiations*”¹¹¹. Trade negotiations – and more markedly the negotiation of the FTAA, which was not a traditional negotiation process – involved new issues in which neither the Ministry of Foreign Relations nor the Ministry of Economy could act on their own¹¹². This need for better coordination and information sharing was reinforced by the personal commitment of Martín Redrado and the then Minister of Economy, Roberto Lavagna. The “*empathy*” between these two people mostly explained this attempt at enhanced coordination between the ministries¹¹³. Second, diplomats were now holding important posts in the Ministry of Economy, as was the case of the Secretary of Industry and the Under-Secretary of Agriculture¹¹⁴. This empathy and good personal relations resulted in the summoning of meetings on a two-monthly basis, which were attended by both ministers and the Secretaries of Agriculture and Industry and Trade [Robin 2008]. In a context where internal divisions tended to predominate given the fragility and low institutionalization of the trade policymaking process, once again the role of the people or *persona-grama* would turn out to be crucial.

Regarding the articulation with private actors, the Ministry of Foreign Relations had already implemented different mechanisms to promote dialogue and consultations with both business and civil society actors, though with varying success. The National Council on International Trade (CNCI, Consejo Nacional de Comercio Internacional) was intended to grant more visibility to international trade negotiations, which have traditionally been surrounded by a rather secretive atmosphere. Of strictly consultative nature, the Council brought together business representatives and academics and offered a space for the discussion of ideas and proposals with public officials and trade diplomats. Nevertheless, this new mechanism did not dramatically alter the prevailing patterns of articulation between state and non-state actors. As evidenced by the negotiation process with India, these channels proved to be merely informative and rather irrelevant for business actors,

¹¹¹ Interview with trade diplomat, Buenos Aires, 29 July 2008.

¹¹² Ídem.

¹¹³ Interview with public official (2), Buenos Aires, 8 August 2008.

¹¹⁴ Ídem.

who still relied on informal but more effective spaces and channels to present their concrete demands and proposals.

As one of the trade diplomats in charge explained, when the negotiations with India were launched, the usual consultative procedure was followed: the Secretary of Trade within the Ministry of Economy carried out consultations with the largest business chambers, namely the UIA, the Argentine Chamber of Exporters (CERA, Cámara de Exportadores de la República Argentina), and ADIMRA, among others. Then, business actors would send their responses, proposals, and suggestions either to the Secretary of Trade or the Ministry of Foreign Relations. This procedure was explained by the limited character of the negotiation agenda that covered a small portion of trade – the final agreement covers a small portion of trade including tariff concessions in 902 products – and was to a certain extent just a declaration of intention¹¹⁵. Nonetheless, conflicts were to emerge, mainly among industrial interests.

For agribusiness interests gathered under the SRA and the Argentine Oil Industry Chamber (CIARA, Cámara de la Industria Aceitera de la República Argentina), trade negotiations with India involved a rather small list of fixed preferences and hence there was not much to struggle for¹¹⁶. The corresponding Secretariat in the Ministry of Economy carried out consultations with the private sector to map their interests¹¹⁷ but it was clear that the agreement did not entail major benefits given the highly protectionism India exerted on the agricultural sector, being this particularly marked in the case of oilseeds and edible oils¹¹⁸. Given their prime interest in achieving greater market access in the agricultural sector, these business actors developed a collaborative strategy that contrasted with the strong competition stance of industrialist interests.

Within the UIA and as it was the case in most South-South negotiations involving fixed trade preferences, consultations were derived to second-degree and sectoral chambers, the main protagonists in these consultations with business actors¹¹⁹. These sectoral chambers – namely, the textile, footwear, clothing, and pharmaceutical sectors – would more openly

¹¹⁵ Interview with trade diplomat (1), Buenos Aires, 30 July 2008.

¹¹⁶ Interview with business representative (2), Buenos Aires, 21 November 2007.

¹¹⁷ Interview with public official (1), Buenos Aires, 16 July 2008.

¹¹⁸ See “India define su relación con MERCOSUR”, *Economía, La Nación*, 18 October 2004 and “Sellan pacto con la India”, *Economía, La Nación*, 16 December 2004.

¹¹⁹ Interview with business representative, Buenos Aires, 19 November 2007.

oppose the agreement and ask either to be exempted or to be granted ad hoc protection measures¹²⁰. Within the realm of the SMEs, negotiations with India arose some interest but their mobilization was circumscribed to only a small number of products. Given the high fragmentation of the sector, discussions were more frequently conducted with the companies¹²¹.

Negotiations with India, as had been the case of Chile and Mexico, mobilized those economic actors already participating in the dynamics of regional trade and for whom an agreement would enhance their competitive advantages and deepen already established trade flows¹²². These included national business sectors, which in some cases exhibited similar structure and importance to transnational companies. Those still more focused on the domestic market had a distrust of this initiative while SMEs, after the negative impact of structural reforms, seemed to be scrutinizing the new window of opportunity these agreements entailed. More importantly, most of these divergent positions coexisted within the UIA, showing thus its weak institutional capabilities to reconcile divergent sectoral interests in order to be able to speak with one voice. In terms of its technical expertise, starting with the MERCOSUR Department and its later transformation into the Department of Trade and International Negotiations, the UIA had already showed an interest in developing its trade capabilities. However, and even in the case of the negotiation with India which only involved a limited portion of trade, the UIA still showed some fragility in terms of the institutional leadership and capabilities.

On the supply side, some institutionalized, though still incipient and incomplete, channels to consult with business actors had been established, complementing thus pre-existing informal mechanisms. However, combined with the intrinsic fragmentation and weak coordination among sectoral interests within the UIA, these channels did not appear to offer a strong incentive for their effective participation in trade negotiations. Both elements seemed to be hindering their engagement in trade politics. In sum, the involvement of the private sector in the negotiations with India was limited to responding to the requirements of public officials and trade diplomats. Despite the heterogeneity of the sectoral positions, the more general feature was the development of a competitive strategy.

¹²⁰ Interview with public official (2), Buenos Aires, 8 August 2008.

¹²¹ Interview with trade diplomat (1), Buenos Aires, 30 July 2008.

¹²² Interview with trade expert, Buenos Aires, 14 November 2007.

The institutional changes introduced in the Ministry of Foreign Relations were intended to enhance the institutional leadership and capabilities of state actors to effectively deal with this new multipolar trade strategy. In addition, new consultation mechanisms were inaugurated to promote transparency and participation in the trade policy decision-making process. Noticeably, most of the interviewees seemed to agree on the fact that these mechanisms entailed significant improvements regarding the visibility of trade negotiations and the transparency of the trade policy process as more actors were now informed about the evolution of the various trade negotiations in which the country was involved. This was even recognized by civil society representatives. However, all stakeholders acknowledged the fact that substantial issues and questions were discussed outside the formalities of the CNCI. In other terms, informality and personal relations between public officials and negotiators and non-state actors, namely business associations, were still the norm. Moreover, these novelties did not affect the negotiation of the agreement with India, where both state and non-state actors resorted to the traditional way of doing things when dealing with agreements involving fixed trade preferences.

Existing mechanisms for the participation of civil society actors as in the case of the recently created Civil Society Consultative Council (CCSC, Consejo Consultivo de la Sociedad Civil) did not play a fundamental role in the discussion of the negotiation agenda with India. The Council comprised trade unions, academics and a wide range of NGOs, together with business actors, whose main interest lay in the discussion of the FTAA process. Even if other negotiation processes were discussed as in the case of the negotiations with the EU or the Andean Community, these did not capture the attention of civil society actors. The FTAA was then a site of public debate and contestation, whose dense and complex agenda provoked heated controversy. This stood in sharp contrast to the limited agenda of the negotiation with India to the extent that no opposition to the proposed agreement emerged. This more collaborative pattern of engagement and involvement in symmetric or South-South trade agreements would differentiate from the more diverse and complex collective action strategies deployed after the launch of asymmetric or North-South trade negotiations.

The next table presents a summary of the patterns of interest definition and articulation identified in the context of symmetric or South-South trade negotiations.

Table 6.1. Symmetric or South-South trade negotiations in Argentina

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
Chile	<i>Business</i>	Extended inclusion	Collaborative: CIQyP, COPAL, large firms Competitive: UIA	Cooperative Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions; NGOs	Formalistic
Mexico	<i>Business</i>	Extended inclusion	Collaborative: CIQyP, COPAL, large firms Competitive: UIA	Cooperative Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions, NGOs	Formalistic
India	<i>Business</i>	Extended inclusion	Collaborative: CIARA, SRA, large firms Competitive: UIA, sectoral associations (clothing, footwear, textiles, pharmaceuticals)	Cooperative Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions, NGOs	Formalistic

Source: The author.

6.2. Asymmetric trade negotiations: looking for Northern partners

By the time the multipolar trade strategy was launched, Argentina was already involved in two trade negotiation processes with industrialized countries. These included negotiations to conclude an FTA across the Americas – the FTAA – and the initiative with the EU. Even if negotiations were launched in 1998 and 1999 respectively, both initiatives dated back to the mid-1990s and were a fundamental part of the broader and complex external agenda MERCOSUR faced almost immediately after its transformation into a customs union in 1994.

At the domestic level, the increasing breadth and complexity of the trade agenda raised the demand for transparency and coordination in the trade policymaking mechanisms and procedures and exacerbated the need to develop trade capabilities and expertise even

further. Still, the response, both on behalf of state and non-state actors, would not follow suit.

The patterns of interest definition and articulation elicited by these asymmetric trade negotiations are summarized in Table 6.2., which is followed by a more detailed analysis.

Table 6.2. Asymmetric or North-South trade negotiations in Argentina

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
FTAA	<i>Business</i>	Extended inclusion	Collaborative: COPAL, CILFA, COPAL, SRA	Cooperative
			Competitive: UIA, FAA	Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: Asociación Conciencia, CEDHA, FOCO-IDEMI, Poder Ciudadano	Formalistic
			Competitive: CGT, CTA, FOCO-IDEMI, SERPAJ	Cooptive
UE	<i>Business</i>	Extended inclusion	Collaborative: CILFA, CIQyP, COPAL, SRA	Cooperative
			Competitive: UIA, sectoral associations (clothing, footwear, textiles)	Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions, NGOs	Formalistic

Source: The author.

a) The FTAA: a long and winding road to free trade

Promoted by the United States, and somehow recapturing the “Initiative for the Americas” proposed by George H. W. Bush, the FTAA was intended to bring together all countries in the region – with the unique exception of Cuba – with the primary goal of liberalizing trade and investment. The FTAA turned out to be the most advanced and coherent agenda of the Summit of the Americas process launched in Miami in December 1994. As the

Summits advanced, trade negotiations moved to centre stage and became pivotal to this regional project. After a four-year preparatory phase, along which the institutional procedures and structures were defined through a dense routine of meetings, formal negotiations for a regional FTA were launched during the Second Summit of the Americas, held in Santiago in April 1998. The year 2005 was set as the deadline for ending all negotiations. However, this deadline was not met as negotiations dissolved and finally, came to a halt.

Once formal negotiations were launched, the nine Negotiating Groups¹²³ – market access, investment, services, government procurement, dispute settlement, agriculture, IPRs, subsidies, antidumping and countervailing duties, and competition policy – were instructed to draw up a draft text of their respective chapters to be presented for preliminary agreement at the Summit of Quebec (April 2001). However, substantive agreements were difficult to attain given the conflicting differences regarding market access to the United States, especially for agricultural products, a conflict that was especially marked in the case of MERCOSUR countries. Led by Brazil, MERCOSUR focused on the elimination of NTBs and antidumping regulations and the liberalization of agricultural trade, an issue the United States would consistently refuse to negotiate within the FTAA framework, privileging instead the multilateral arena under the WTO. Hence, the draft that was finally presented in Quebec was still too far away from what should be the final version of the agreement. After 2001, given the diverging preferences and priorities among the 34 negotiating partners, the pace of negotiations decelerated. Even if some steps were taken to revive the process in 2002 during the seventh Ministerial Meeting that brought together all vice-ministers of trade, these failed to produce the expected results. In 2003, following the first exchange of market access offers, countries agreed to what has been termed an “FTAA *à la carte*” or an “FTAA light” as they intended to introduce greater flexibility in the negotiation strategy. This implied a two-tier framework. Whereas a common tier of mutual but minimal obligations focused on market access, an upper and voluntary tier of strengthened obligations centred on various trade-related disciplines. Sooner than later, this new strategy would also show its fragility and vulnerability to the unresolved differences across countries. As the FTAA failed in its attempt to establish a free trade area stretching

¹²³ While ultimate decision-making authority over the FTAA process rested with the Heads of State and their governments, most of the substantive negotiating took place within these nine Negotiating Groups, a Consultative Group and different Special Committees.

from Alaska to Ushuaia, the United States pursued bilateral trade agreements with Latin American countries as the FTAs signed with Peru and Colombia, and the CAFTA-DR. The FTAA project was not officially abandoned but negotiations have been stalling since 2005.

In 1998, when negotiations for the FTAA were launched in Santiago, from the Argentine government perspective, changes introduced in the early 1990s were already showing its fruits. By the end of the 1990s, the transfer of trade services from the Ministry of Economy to that of Foreign Relations in 1992 was compounded by the increasing technical trade capabilities and expertise of diplomats as the National Foreign Service Institute (ISEN, Instituto del Servicio Exterior de la Nación) – the official Diplomatic School – now provided with specialized training in trade¹²⁴. This specialization combined with the own style of the Ministry of Foreign Relations, which has traditionally sustained a scheme more actively based on meetings and consultations¹²⁵.

Apart from these traditions and more recent developments, the resulting articulation between state and business actors is also explained by the strong participation demand of the latter. Given that so far negotiations in the regional arena through MERCOSUR and the conclusion of the UR at the multilateral level had failed to promote the expected results, business representatives were now more actively knocking on government's doors¹²⁶.

The broad and complex trade agenda of the FTAA elicited a quick response from business actors. On the one hand, sectoral studies were developed by business associations and chambers or were demanded from specialized consulting firms. On the other hand, at least once a month, business organizations invited public officials and negotiators to meetings in their own premises to gather information on the latest developments in the trade negotiation process. Later on, the Ministry of Foreign Relations would make an important turn and invite business and other civil society actors to participate in different spaces intended to provide updated information on the FTAA and other negotiation process. Nevertheless, this would only be concretized in 2002.

¹²⁴ Interview with trade diplomat, Buenos Aires, 29 July 2008.

¹²⁵ Ídem.

¹²⁶ Ídem.

Between 1998 and 2001, the articulation between business actors and public officials and trade diplomats was based on these periodic meetings summoned by the largest business associations¹²⁷. However, the establishment of these more formal mechanisms in 2002, which entailed the creation of the CNCI and the CCSC, did not put a definite end to the encounters hosted by business associations. In fact, public officials would still attend meetings with sectoral associations in their own premises when the evolution of negotiations required the elaboration of more sector-specific proposals¹²⁸.

While after 2002, formal and informal channels coexisted, when negotiations were launched in Santiago domestic consultation mechanisms remained highly informal, with the only exception of the Advisory Council on Foreign Trade (CACE, Consejo Asesor de Comercio Exterior) within the Ministry of Economy. The CACE was created in 1988 under the first democratic government but its initial years were marked by its low level of activity and marginal role in the trade policymaking process. Only officials of lower ranks attended these meetings, which in turn deprived these instances of any legitimacy and, in time as it lost power, simply faded away.

Ten years later, just after the FTAA negotiations were launched, the CACE was revived by the then Foreign Trade Undersecretary, Félix Peña. This revival was intended to fulfil the need for closer articulation and coordination between the public and private sector¹²⁹, and a recurring demand of the provinces. Already in 1997, these urged the Minister of Economy to reconvene meetings within the CACE and demanded the participation of public officials of the Ministry of Foreign Relations and of the Customs in this consultation mechanism as well¹³⁰. Nevertheless, neither the need for institutional leadership and enhanced public-private articulation on behalf of public officials nor the demand of sub-national governments managed to overcome the inertia in trade policymaking procedures. The CACE was once again disbanded when Peña left office in November 1999, and both public officials and business actors resorted to the traditional ad hoc and informal forms of consultations, especially with the Secretariats of Industry and Agriculture in the Ministry of Economy. In spite of its meeting-prone character, the Ministry of Foreign Relations was

¹²⁷ Ídem.

¹²⁸ Ídem.

¹²⁹ Interview with Felix Peña in Robin [2008].

¹³⁰ See “Negocian el impuesto sobre las propiedades”, *Economía, La Nación*, 8 May 1997.

still characterised as being rather detached from domestic business concerns. The prevailing division of labour between both ministries can more readily explain this perceived detachment: the Ministry of Economy was the public agency more prominently held responsible for the definition and implementation of trade promotion instruments and other crucial areas of the trade negotiation agenda.

By the late 1990s, this division came to a happy medium: while the Ministry of Economy was in charge of developing technical reports, the Ministry of Foreign Relations was focused on the diplomatic dimension of trade negotiations. Still, this division of roles was far from optimal given that in order to negotiate effectively trade diplomats would also need to understand the technical specificities of the agendas at stake. In addition, this further promoted the isolationism of the Foreign Office: the liaison with business actors remained much more concentrated in the Ministry of Economy as this public agency was still in charge of elaborating the national position¹³¹.

Coordination among public agencies was still a pending task. To this end, in 2000 the government created an Inter-Ministerial Commission of International Trade (CICI, Comisión Interministerial de Comercio Internacional), which included representatives from all participating public sector agencies. Operated under the authority of the Secretary of the Presidency, the main objective of the CICI was to coordinate trade policymaking and implementation and to set international trade strategies. However, the initiative had little impact.

Regarding the participation of business representatives, these actors had been actively involved ever since the preparatory phase. Once formal trade negotiations were launched, large business associations and firms maintained this high level of engagement with the FTAA process. Their participation at the domestic level was then combined with their adherence to the Business Network for Hemispheric Integration (REIH, Red Empresarial para la Integración Hemisférica). Composed of a small but powerful number of business interests, this group supported the negotiation process since the first trade ministerial meeting in 1995, and just one year later, their participation in the Americas Business Forum (ABF) was integrated within the institutional organigram of the FTAA process. Business interests included those represented by the UIA and the SRA, sectoral associations as CERA, CIQyP and the Industrial Chamber of Argentine Pharmaceutical Laboratories

¹³¹ Interview with trade diplomat, Buenos Aires, 29 July 2008.

(CILFA, Cámara Industrial de Laboratorios Farmacéuticos Argentinos), together with the direct participation of companies such as Acindar and Techint¹³².

The private sector worked very hard to organize the ABF's meetings that ran parallel to each ministerial meeting, where the main objective was to advance policy recommendations. Through the REIH, they were responsible for summoning the most representative private actors and in doing so, they maintained close links and collaboration with the national government, more prominently with the Ministry of Foreign Relations. Collaboration and articulation between state and business actors was close although not institutionalized¹³³. At the same time, engagement with the FTAA process elicited increased collaboration among business associations, which, in some cases, worked on the elaboration of common proposals as in the case of the joint proposal presented by the CAC and CAMARCO.

MERCOSUR also constituted a useful arena for the elaboration of joint proposals and documents to improve business actors' bargaining power. In a first instance, this strategy was mainly deployed by those private actors already having some experience in trade negotiations, as shown by the COPAL and the CIQyP, and even by specialized NGOs like IRAM. However, later on, as the FTAA process advanced and the negotiation demanded identifying common and complementary interests, and arbitrating existing differences, MERCOSUR showed its fragility – in terms of its institutional and political mechanisms – to shape a common position. This became especially evident during the phase of exchanging market access offers for goods in 2003. The marked asymmetries among the MERCOSUR countries made negotiations as a bloc quite difficult as they hindered the elaboration of a common position without going through a process of regional harmonization. In 1998, as recalled by one of a former Argentine negotiator for MERCOSUR, when negotiating a temporary change in the bloc's regulations before the Presidential Summit of Rio de Janeiro, the UIA was consulted to have the organization's stance on this issue. Unfortunately, the industrial association replied by sending a letter

¹³² See *inter alia*, “Discrepan el MERCOSUR y EEUU”, *Economía, La Nación*, 14 May 1997, “La integración se formalizará en 1998”, *Economía, La Nación*, 15 May 1997, and “Los empresarios se pelean por el ALCA”, *Economía, La Nación*, 19 March 1998.

¹³³ Interview with business representative, Buenos Aires, 19 November 2007.

where they informed that they did not have a position regarding this policy change as their associated members could not come to an agreement¹³⁴.

The FTAA process advanced slowly and through phases, promoting thus the participation of business actors and their close relation with the public sector to avoid the disappointing results of previous regional and multilateral negotiations. However, this did not entail a sharp transformation in the aggregation of their interests, which, in the case of industrialists was more defensive than offensive¹³⁵. In effect, industrial interests showed a marked division between those more linked to the domestic markets, which in general terms sustained a competitive strategy, and large economic interests for whom the FTAA entailed securing market access to the United States.

By contrast, positions within the agricultural sector were homogeneous mirroring the government's stance on this issue. The high protectionism of the United States agricultural trade policy through export subsidies and domestic support mechanisms, offered solid ground upon which to develop a firm national position in this respect. One of the main demands of the agribusiness sector was not to liberalize products subsidized in the United States and in doing so, they pursued a collaborative strategy with the government at the domestic level while at the same time promoted a MERCOSUR position by achieving consensus and agreement with sectoral associations in the other member countries, especially with Brazil¹³⁶. COPAL was very active in this strategy and worked in close association with its Brazilian counterpart to develop a MERCOSUR position¹³⁷.

Within the industrialist realm, a similar strategy was pursued by the CIQyP and its partners in the MERCOSUR member countries, who by the end of the 1990s had developed solid trade negotiation gymnastics¹³⁸. In a similar vein and based on their experience during the UR, where CILFA had a leading role, this organization together with other sectoral associations and companies, opposed United States' proposal to include a WTO-plus chapter on IPRs. This clause was highly resisted by domestic laboratories, in contrast to the

¹³⁴ Interview with trade expert, Buenos Aires, 14 November 2007.

¹³⁵ Interview with public official (2), Buenos Aires, 8 August 2008.

¹³⁶ Interview with business representative, Buenos Aires, 29 November 2007.

¹³⁷ Ídem. See also, "Frente empresario común por el MERCOSUR", *Economía, La Nación*, 13 May 1997, and "Los industriales se unen en defensa del MERCOSUR", *Economía, Clarín*, 5 May 1997, among others.

¹³⁸ Interview with business representative, Buenos Aires, 30 November 2007.

staunch interest of the United States and multinational companies¹³⁹. This time, national laboratories and state actors would form a cohesive front against United States, who together with international companies organized under the Argentine Chamber for Medical Specialties (CAEMe, Cámara Argentina de Especialidades Medicinales), promoted convergence around their own national regulations, irrespective of already existing IPRs multilateral norms¹⁴⁰. This collaborative strategy was thus based on the provision of solid technical information and expertise, proving thus that these were fundamental resources to gain access to trade negotiations, especially those involving deeper agendas as in the case of asymmetric trade negotiations, and they constituted the basis of a new form of working relation with public officials and trade diplomats. Still, this expertise and trade capabilities were not evenly distributed and were still restricted to particular sectors.

Expertise was also the nexus with particular NGOs as in the case of the IRAM, who as in other negotiation scenarios, was convoked by government. Within the FTAA, the IRAM was involved in the group working on norms and technical barriers to trade – Group 4 – where it acted as the government’s main advisor. MERCOSUR member countries worked on the elaboration of a joint draft. After its presentation to the other partners, this proposal was adopted as the conclusion of the Group discussions and approved as a negotiating document. The group was later on subsumed under the Negotiation Group for Market Access and as negotiations decelerated, the cooperative relation between the IRAM and the government lost intensity¹⁴¹.

Clearly, when it came to industrial interests, only those already showing sound technical capabilities and negotiation expertise, and capable of speaking with one voice, managed to develop a close articulation with public officials and trade negotiators. The UIA as a peak association was still showing limited resources in both dimensions, despite the fact that they already relied on a specialized technical unit. The FTAA entailed new challenges and raised the interest of a larger number of actors. The difficulties still present in 2003 during the exchange of market offers question to what extent this novel involvement and interest led to a sound learning process on behalf of industrial interests.

¹³⁹ Interview with business representative (2), Buenos Aires, 22 November 2007.

¹⁴⁰ Interview with public official (1), Buenos Aires, 16 July 2008.

¹⁴¹ Interview with civil society representative (2), Buenos Aires, 23 November 2007.

Various actors remained excluded from this dialogue with public officials and trade diplomats. MERCOSUR representatives of SMEs, who were also excluded from the ABF and other regional fora, demanded a role in the decision-making process based on the idea that they would be the most affected sector if the FTAA were to prosper¹⁴². A similar demand was put forward by labour unions¹⁴³.

However, the activation of civil society actors as a response to the FTAA and the wider process of the Summit of the Americas showed a slow and difficult trajectory. While by the time negotiations were formally launched in Santiago, business actors had had four years of learning by doing, in the case of civil society actors, only two organizations stood out for their collaboration with the regional process: Asociación Conciencia and Poder Ciudadano. Both organizations advocated democratic ideals and principles, while endorsing political participation to promote transparency and information access. In accordance with their own agenda, they were dynamically involved in the Summit of the Americas process in relation to civil society participation. Still, this did not entail the elaboration of alternative concrete proposals and suggestions to the regional process, least to the trade agenda. As in the case of other insider groups, their contributions remained on the procedural arena.

The launch of formal trade negotiations in Santiago in 1998 generated the interest of a bigger number of CSOs, though their activation remained incipient and fragile. A division line across CSOs would slowly emerge. Whereas already participating insider organizations deepened their role and raised the support of other associations, outsider groups slowly began to emerge in relation to the recently created Hemispheric Social Alliance (HSA). Based on its rejection of the FTAA agenda and the primacy of trade and investment liberalization, the HSA intended to use the regional process as an opportunity to promote an alternative and democratic model of development. In Argentina, *Diálogo 2000*, a network of organizations and social movements led by the Peace and Justice Service of Argentina (SERPAJ, Servicio Paz y Justicia de Argentina) adhered to this network as they attempted to open critical debate on the FTAA and mobilize opposition to this process [Guiñazú 2003]. The declarations of the Minister of Foreign Relations, Adalberto Rodríguez Giavarini, also contributed to this mobilization. In a meeting with several CSOs,

¹⁴² See “Discrepan el MERCOSUR y Estados Unidos”, *Economía*, La Nación, 14 May 1997.

¹⁴³ Ídem.

the Minister recognized that even if society had the right to be informed and to participate, trade negotiations within the FTAA were secret¹⁴⁴.

Hence, by the end of 2000 and more prominently after the VI Trade Ministerial Meeting that took place in Buenos Aires in 2001, the FTAA gained more visibility. While business interests engaged in the organization of the parallel ABF in close collaboration with state actors, the city of Buenos Aires was flooded with mobilizations to proclaim civil society's rejection of the FTAA (*No al ALCA*).

Interestingly, for the first time since the launch of formal negotiations, trade unions adopted an explicit stance regarding the FTAA. More importantly still, the regional process generated the same response on behalf of the CGT and the CTA, leading thus to their first agreement and concordance after many years of permanent disagreements. Nevertheless, differences persisted as different mobilizations were organized. In the case of the CTA, its demands were accompanied by the several organizations, including the FAA, social and Human Rights organizations, and other MERCOSUR trade unions as the Brazilian Unified Workers' Central (CUT, Central Única dos Trabalhadores), the Uruguayan Inter-union Plenary of Workers-National Convention of Workers (PIT-CNT, Plenario Intersindical de Trabajadores-Confederación Nacional de Trabajadores), and representatives from trade unions in Chile, Cuba and Paraguay¹⁴⁵.

Rejection of the FTAA was even deepened after the 2001 crisis and the political and institutional collapse that followed. In a context of rapid impoverishment, the economic crisis led to a complete rejection of neoliberal policies and market-led development. The FTAA and the role of the United States in this regional process were thus seen as the clearest example of neoliberalism in the region, to the extent that the *No al ALCA* gained new and heterogeneous adepts.

Following a mandate of the III Summit of the Americas in Quebec, between 2002 and 2003 the Ministry of Foreign Relations created new channels and mechanisms for the participation of civil society actors in the design of the new trade strategy. The CCSC was created as part of this process aimed at giving more transparency to trade negotiations. This dialogical mechanism brought together public officials and negotiators, representatives

¹⁴⁴ Interview with trade diplomat, Buenos Aires, 29 July 2008. See also, "ALCA: Negociaciones secretas", available at <http://alainet.org/active/1045&lang=es>, accessed 9 June 2010.

¹⁴⁵ See "El gremialismo se une en la protesta", *Economía, La Nación*, 6 April 2001.

of labour unions and various NGOs – including consumers and environmental organizations, among many others – with business associations, such as the UIA, but also the FAA and the Assembly of Small and Medium Entrepreneurs (APYME, Asamblea de Pequeños y Medianos Empresarios).

Even if some of our interviewees valued positively the creation of the CCSC through which they could have access to public officials and trade negotiators, and even to the then Undersecretary of Trade, most of them agreed on the fact that this was merely an entertaining mechanism, where not much discussion effectively took place. Moreover, and contrariwise to business interests, who apart from the CNCI still had informal access to public officials, this possibility was denied both to civil society and to small business associations¹⁴⁶. Moreover, after 2003, the room next door was implemented. Business actors were thus invited to participate during the negotiations within the FTAA – a mechanism that would be also used during the negotiations with the EU and those within the WTO.

In sum, most of the CSOs participating in this consultative council took this a *one-way channel*¹⁴⁷. In turn, the institutionalization of these mechanisms, which should also be understood by the government's urging need to re-establish domestic governance by canalizing protests and demands within formal and institutionalized procedures, deepened the cleavage between insiders and outsiders. While organizations under the Diálogo 2000 would firmly refuse to attend the meetings at the San Martín Palace, other organizations as FOCO and CEDHA took part in these discussions and debates promoting hence a formalistic public-private articulation. In spite of these shortcomings, which were even stronger after the CCSC expanded to include over 400 organizations, the creation of the CCSC certainly altered the traditional landscape of the elegant San Martín Palace though this seemed to have remained at the level of format but not that of content. Moreover, much of the essence of its creation seems to have vanished, as the main topics discussed in these meetings were no longer directly focused on trade negotiations.

¹⁴⁶ Interviews with different trade unions and CSOs representatives.

¹⁴⁷ Ídem.

b) The EU-MERCOSUR negotiations: a case of inter-regionalism?

Although the idea of creating what would be the first-ever case of inter-regionalism was certainly previous to that of the FTAA, the EU had to wait until the creation of the customs union in 1994 to formalize this proposal. The EU-MERCOSUR relationship is based on the Interregional Framework Cooperation Agreement signed in 1995, which is aimed at promoting an inter-regional association based not only on trade liberalization but on an enhanced form of cooperation and a strengthened political dialogue as well. The Framework was the next step from the 1992 Inter-Institutional Cooperation Agreement, the Joint Declaration of 22 December 1994, and the Declaration on Political Dialogue of 15 September 1995. The 1994 Declaration had already established the two pillars of the relationship: the institutionalization of a political dialogue and economic negotiations aimed at the creation of a free trade area. The launch of trade negotiations between the EU and MERCOSUR came a year after the 1998 Summit in Santiago, and was preceded by long years of dense and legally driven relations across the Atlantic.

The I EU-Latin America and Caribbean Summit that took place in Rio on 28 June 1999 was the scenario for the inauguration of trade negotiations. While the negotiation of NTBs would begin immediately, tariff reductions and services would have to wait until 1 July 2001. No date was set for tariff negotiations, services, and agriculture, but both parties agreed to hold a dialogue on these issues in the light of the Third WTO Ministerial Conference that was to be held in Seattle in December 1999. As already agreed, market access negotiations were formally inaugurated in Montevideo in 2001, with the actual exchange of negotiating texts for goods, services, and government procurement. The EU offer included all sectors – namely, fishing services, industry and agriculture – but also important restrictions. First, the proposal involved a gradual liberalization schedule of 10 years – very compatible with the WTO – with no immediate change in the Common Agricultural Policy (CAP), and second, the liberalization program would include 100% and 90% of industrial and agricultural goods, respectively. MERCOSUR members' disappointment was reflected in their counter-offer, which involved a 10-year gradual liberalization program, covering 86% and 90% of manufactured and agricultural goods, respectively, and which excluded the automotive industry, which is one of the sensitive areas for these countries, though a priority for the EU. By the end of 2003, when the deadline for concluding bi-regional trade negotiations had already been missed, a new and

certainly ambitious working program was established. This included five negotiation rounds and two ministerial meetings intended to close all talks in October 2004. Nevertheless, difficulties to come to an agreement would soon become evident as both regional partners failed to agree on each other's final offer. Since then, the interregional negotiation process has been characterized by spasmodic and bilateral attempts to achieve an agreement. Discussions were resumed in 2005 but once again, the EU proposed deadline was missed.

Seven years earlier, the launch of trade negotiations with the EU in Rio was met with high expectations by the government. These would pose new and more severe demands on state actor's capabilities and expertise. Asymmetries between trading partners became especially evident during the negotiations when Argentine public officials and negotiators had to face EU counterparts. As put by one of our interviewees, *"at the negotiation table, there was the negotiator, who relied on 10 other people, there were lawyers, economists who had already quantified their market losses, they had well-trained working teams, apart from the fact that they had financial resources to move and travel"*¹⁴⁸. In domestic terms, the inclusion of agriculture in the three negotiation tables that were opened was an important achievement for the national government¹⁴⁹. While the EU relied on better-equipped negotiators who followed established routines and procedures and had clearly defined objectives, in the case of Argentina, the lack of trading teams with technical expertise became more apparent during these negotiations though these asymmetries appeared to be a more general characteristic of North-South agreements.

In order to make up for these deficits, the Secretary of Agriculture consulted widely with the private sector. Consultations were mainly directed to business associations, though the final format of the consultation was elastic and depended on the specific sector and product. Thus, for example, when consultations involved sectors loosely organized – namely, wine or potato producers – invitations to participate were forwarded to individual actors. In addition, public officials would also demand business input to collect crucial technical information public agencies could not develop given that they lacked the necessary time and human resources¹⁵⁰. A working relationship was thus established and consolidated with institutions such as the SRA and COPAL, who based on their strong

¹⁴⁸ Interview with public official (1), Buenos Aires, 16 July 2008.

¹⁴⁹ See "Se negocia el libre comercio con Europa", *Economía, La Nación*, 28 June 1999.

¹⁵⁰ *Ídem*.

export-oriented profile, by the end of the 1990s, had developed strong technical capabilities through the creation of specific departments devoted to international trade negotiations or by hiring trade experts and consultants on a steady basis¹⁵¹. Moreover, negotiations with the EU brought these two institutions even closer. Based on a common interest – gaining stable market access to the European bloc – and the large experience of the COPAL in trade negotiations, a working alliance was established between them¹⁵².

This explains their intense activism, which included their participation in meetings with public officials and negotiators from the Ministries of Economy and Foreign Relations that could be summoned either by the latter but also by COPAL. These contacts and interactions gained in intensity after 2002 and were mainly directed towards the Ministry of Foreign Relations as COPAL was interested in participating in the active program this public agency was developing to adequately face the new multipolar trade strategy¹⁵³.

This more open and active attitude contrasted to that of the potential losers who feared the negative impact an agreement with the EU would have on their particular sectors. However, these sectors, rather than contacting public officials dealing with the technical aspects of the negotiations, they would directly contact high-rank governmental levels to put forward their protectionist demands¹⁵⁴. These defensive attitudes were more prominently expressed by industrial interests. Just after negotiations were launched, public officials and trade negotiators started working on the elaboration and formulation of MERCOSUR's position in this agenda. In doing so, they consulted with the different sectors involved, inaugurating thus a working scheme that would be rehearsed along the various negotiation rounds. The final MERCOSUR negotiating position was based on Argentina where industrial interests have always shown greater resistance to trade liberalization, as in the case of textiles, clothing, and footwear¹⁵⁵.

However, this defensiveness was not homogeneous across industrial sectors. Once again, those capable of providing technical expertise and information would develop a collaborative strategy. Business associations such as CIQyP and CILFA would just reedit

¹⁵¹ Interview with business representative (1), Buenos Aires, 22 November 2007, with business consultant, Buenos Aires, 22 November 2007, and with business representative (2), Buenos Aires, 21 November 2007.

¹⁵² Interview with business representative (2), Buenos Aires, 21 November 2007.

¹⁵³ Interview with public official, Buenos Aires, 30 July 2008.

¹⁵⁴ Ídem.

¹⁵⁵ Interview with public official (2), Buenos Aires, 8 August 2008.

previous experiences and elaborate a joint proposal which would be taken as the MERCOSUR position¹⁵⁶, showing that the cooperative public-private articulation had been consolidated along the years and across negotiations. In fact, a close working relationship, though not institutionalized or formalized, has thus emerged.

Both those promoting trade liberalization and those assuming a defensive stance were part of the MERCOSUR-EU Business Forum (MEBF). The MEBF was created in November 1997 and was largely inspired by the experience of the Transatlantic Business Dialogue, which offers a framework for enhanced cooperation between the business communities and the governments of the EU and United States. Established before inter-regional trade negotiations were officially launched, the MEBF was intended to contribute to the consolidation of trade and inter-business relations. Building on an initiative of large European companies, mostly in the area of services, the MEBF also included big companies in Argentina, most of them multinationals and “*multilaterales*” together with business associations such as the UIA and SRA. Dialogue at the national level was thus complemented at the regional level through the MEBF. Despite these marked differences in the economic interests, in practice, the MEBF has managed to speak with one voice on behalf of European and MERCOSUR business interests. “*Only once, the business group failed to produce a complete joint document, leading hence to a European version and a MERCOSUR version (...) and this was because of a particular issue: agriculture*”¹⁵⁷. In turn, this showed that the creation of the MEBF had not entailed the disappearance of communication channels at the domestic level: while the regional forum had assumed a more political role, specific technical consultations were still directed towards national companies and sectoral business associations¹⁵⁸. Moreover, it was to the national level where business actors still had to resort to bring forward their specific demands. This was especially evident in the case of agricultural interests who did not have an EU counterpart in the MEBF: “*We never had an interlocutor to produce a legitimate document (...) so every time we took part in the MEBF, we met with Mercedes Benz, Telefónica, those supporting rather than opposing the agreement*”¹⁵⁹.

¹⁵⁶ Interviews with business representatives, Buenos Aires, 22 November 2007, and 30 November 2007.

¹⁵⁷ Interview with business representative (1), Buenos Aires, 21 November 2007.

¹⁵⁸ Ídem.

¹⁵⁹ Interview with business representative (2), Buenos Aires, 21 November 2007.

As in the case of the FTAA, trade negotiations with the EU revealed the importance of MERCOSUR as a site for the definition of a common position, being this more easily achieved when dealing with the definition of broad negotiation principles at the earlier stages of the process. However, as the negotiations gained momentum and especially during the exchange of market access offers, once again asymmetries and disparities across member countries would become evident.

This certainly opened a window of opportunity for the participation of the private sector. Business representatives were then consulted and asked to contribute to the design of the regional offers through the harmonization of positions and interests with their sectoral counterparts. Meetings were thus conducted with business representatives to build the national position, which would then be harmonized at the MERCOSUR level. Nevertheless, as differences seemed irreconcilable even at the sectoral level, the final harmonization of the market offers would lay in the hands of the national governments.

In sum, the regional level by offering a space for the structuring of networks as in the case of business actors complemented the national arena without fully discarding it. Yet this was not available to civil society actors in 1998.

The activation of trade unions was rather late compared to that of business actors. In fact, the negotiation process with the EU did not capture their attention until the late 1990s. By the moment this process found a place in the trade unions' agenda, structural reforms and increasing unemployment had already weakened and fragmented the traditionally strong labor movement. However, and as we have seen in the previous section, this activation was a more direct response to the FTAA and the role of regional networks, namely the articulation of the HSA.

In the case of the agreement with the EU, once again the initiative was led by Northern partners. Some initial steps had already been taken in the mid-1990s when European trade unions came in contact with their Latin American partners, including those in MERCOSUR, following the EU's trade strategy in the region. In May 1998 before the launch of bi-regional negotiations, the European Trade Union Confederation (ETUC), the International Confederation of Free Trade Unions (CIOSL, Confederación Internacional de Organizaciones Sindicales Libres) and the Inter-American Regional Workers' Organization (ORIT, Organización Regional Interamericana de Trabajadores) organized the "Trade Union Conference on the Social Dimension of MERCOSUR and the European

Union". The underlying objective was to demand the democratic construction of regional integration spaces. Despite these early developments, it took three years to concrete the First EU-Latin America and the Caribbean Trade Union Summit. Organized by the ETUC and the ORIT, among others¹⁶⁰, this meeting was then followed by other encounters in Buenos Aires and Mexico, where the CCSCS had an active role.

Given their fragmentation and organizational weaknesses, trade union representatives valued these networks very positively as they provided them with information and helped them bridge the gap with developing countries, among other important achievements. Still, they regretted the fact that labour actors could not rely on a mechanism similar to the MEBF¹⁶¹, whose policy proposals fed directly into the Bi-regional Negotiating Committee, the formal body in charge of the negotiations.

Clearly, as trade negotiations gained momentum trade unions had more incentives to get involved in these issues. Specialized departments focused on regional and international trade negotiations and relations were created to deal with this new agenda. Both by developing networks and in-house working groups, trade unions started a learning process. Still, and regarding their particular assessments of the negotiation processes, these have spurred mixed feelings. Moreover, at the domestic level, differences between the CGT and the CTA would be deepened as the latter rejected the FTA model, irrespective of the specific industrialized counterpart¹⁶². This was particularly shown in the articulation with state actors.

In the case of civil society representatives, their activation also came rather late. Together with trade unions, they were invited to participate within the CCSC after 2003. Before that, participation was circumscribed to the regional level, mainly through informal consultations between the European Commission and CSOs. Nevertheless, participation was confined to European groups and organizations since these consultations were carried out in Brussels whereas similar initiatives had been absent within MERCOSUR countries.

¹⁶⁰ For further details on the conclusions of this summit, see "1st European Union-Latin America and the Caribbean Trade Union Summit: Final Statement", available at <http://www.ilo.int/public/english/region/ampro/cinterfor/temas/worker/doc/sind/madfinst.pdf>, accessed 26 June 2010.

¹⁶¹ Interview with trade union representative, Buenos Aires, 12 November 2007.

¹⁶² Interviews with trade union representatives, Buenos Aires, 12 and 16 November 2007.

In sum, civil society influence – including trade unions and CSOs representatives – has been almost nil during the launch of trade negotiations. Only between 2002 and 2004 would their participation become more meaningful, though the limited character of the channels provided by the government resulted in a formalistic public-private articulation. Interestingly, and contrary to what had been the case with the FTAA, negotiations with the EU have not spurred massive street mobilizations.

Asymmetries in access would be deepened in 2003, when business actors were invited to participate in the room next door. Given the complexity and technicality of the issues at stake, and just as in the case of the FTAA, large companies and business actors were thus consulted continually during the negotiation rounds and asked to assess proposals. More than 40 years later, what had been a rather extended practice within LAIA and LAFTA negotiations was reedited. As explained by one of our interviewees, already under the LAIA and LAFTA negotiations, business representatives were invited to participate in the discussion of sectoral preferences not at the negotiation table, as in the case of Chile during those years, but in a sort of room next door. Even if this mechanism was not institutionalized, it was a rather routinized practice¹⁶³. However, by the end of the 1990s and early 2000s, to the extent that this system was not formally enshrined in the legislation, it also left room of manoeuvre for business actors. Hence, as the interchange of offers gained dynamism, especially after 2004, even if they were not being formally invited, business actors would attend the governmental meetings to make contact with their own counterparts. This business initiative resulted in agreements between particular actors beyond the negotiation table, though these did not prosper as negotiations decelerated and have failed to meet the scheduled deadlines for a final agreement¹⁶⁴.

6.3. Multilateral trade negotiations under the WTO

The creation of the WTO moved the notion of trade well beyond the traditional discussion on tariff and non-tariff barriers. By means of the single undertaking mechanism, countries had to adopt previous plurilateral agreements regarding trade in goods, but also regulations in new policy areas. The General Agreement on Trade in Services (GATS) and the

¹⁶³ Interview with business representative, Buenos Aires, 19 November 2007.

¹⁶⁴ Interview with public official, Buenos Aires, 30 July 2008.

Agreement on the Trade Related Aspects of Intellectual Property Rights' (TRIPs) directly impinged on services, investments, government procurement, and IPRs, among others.

From the point of view of Argentina, as long as unilateral trade liberalization was already completed before the conclusion of the UR, WTO commitments did not affect tariffs – which were consolidated around 35% – but were mainly used to lock in these previous reforms. In addition, multilateral undertakings entailed assuming commitments in new policy areas, namely, the reform of intellectual property laws according to the TRIPs, the elimination of measures incompatible with the Trade-Related Investment Measures (TRIMs), and a reduction of subsidies. These undertakings together with the judicialization of the trade regime through the WTO dispute settlement mechanism introduced strong pressures in the trade decision-making process. Dealing with this new trade agenda demanded high technical competences and enhanced coordination and coherence, all of which turned out to be even more pressing at the multilateral negotiation table where public officials and negotiators had to face much better equipped counterparts, both in number, capabilities, and expertise¹⁶⁵. However, these requirements were not circumscribed to state actors. These were also to be met by business representatives if they intended to participate actively and effectively in the domestic trade policy formulation process. In addition, the new multilateral trade regime in a context of active regionalism entailed an important shift in the country's priorities and guidelines regarding the WTO.

The WTO Agreement on Agriculture mandated a new round of multilateral trade negotiations, which was to be launched in Seattle in November 1999. As delegations failed to reach consensus on the agenda for the new round in a scenario marked by massive street protests against it, the launch of negotiations was postponed to the following Ministerial Meeting to take place in Doha two years later. Following an EU recommendation, this was called the “Doha Development Round” to emphasize the leading role of less developed countries in these talks where the main objective was to reduce poverty and promote development. Initially intended to be completed by 31 December 2004, negotiations have not been concluded to date, mainly due to outstanding differences between developed and developing countries. The agenda comprises several issues, including agriculture, market access for industrial goods, services, trade facilitation, WTO rules, and development.

¹⁶⁵ Interview with public official (1), Buenos Aires, 16 July 2008.

However, it is in the area of agricultural trade liberalization where major obstacles hang about.

The end of the UR and more prominently, the commitment to reopen negotiations on agriculture introduced important transformations within the public sector and its articulation with business interests, all of which would be deepened in the aftermath of the failure of the III Ministerial Conference in Seattle and after the launch of the Doha Round.

First, the acceptance of WTO conflict resolution procedures led to the creation of a technical-quasi independent body under the aegis of the Ministry of Economy: the National Commission of Foreign Trade (CNCE, Comisión Nacional de Comercio Exterior). Established within the Secretariat of Industry, Trade and of the Small and Medium Sized Enterprises, the CNCE was made responsible for handling business petitions for trade relief against unfair foreign practices affecting the domestic market. Even if the CNCE was technically independent, the board was appointed by the Ministry of Economy and this, in turn, made the CNCE “*highly susceptible to political pressure*” [Bouzas & Avogadro 2002:4]. In order to diffuse lobbying pressures on political appointees, the CNCE concentrated on investigating possible injuries to industry, while the final verdict regarding the presence of unfair practices was left in the hands of the Secretariat of Trade [Tussie *et al.* 2004]. In addition, the CNCE answered requests regarding the provision of technical expertise and assistance on international trade policy. Regarding the decision-making process within the CNCE, analysts have argued that further transparency should be pursued by making public the technical criteria and arguments on which the Commission’s decisions are based¹⁶⁶. Despite these shortcomings, industrialists have increasingly used this mechanism, which has also looked into the protectionist measures of other countries that could be negatively affecting Argentina’s exports¹⁶⁷.

Second, and contrary to what had been the experience during the UR¹⁶⁸, where Argentina’s participation was aimed at consolidating internal economic reforms and was thus mainly designed by the Ministry of Economy [Bouzas & Soltz 2005], the country was now

¹⁶⁶ See “La cláusula de salvaguardia”, Comercio Exterior, La Nación, 14 April 1998.

¹⁶⁷ See “Por qué exportamos tan poco a los EE.UU.”, Comercio Exterior, La Nación, 6 April 1999.

¹⁶⁸ During these years, Argentina became very active at the WTO, acting both alone and through the Cairns Group. Being one of the oldest groups within the WTO, the Cairns Group forms a unique coalition of 19 agricultural exporting countries interested in reforming sectoral trade from Latin America, Africa, and the Asia-Pacific regions: Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa, Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Uruguay.

pursuing a strategy based on diversified and reciprocity criteria. Moreover, while agriculture had been practically excluded from the multilateral agenda, the Marrakesh agreement included a commitment to reopen negotiations on services and agriculture. The objective was to improve market access and reduce trade-distorting subsidies. In 2001, these issues were incorporated into the Doha Development Agenda launched at the IV WTO Ministerial Conference. At the domestic level, facing this agenda demanded particular developments in the agricultural area of the Ministry of Economy and in other public agencies as well.

The Secretariat of Agriculture immersed itself in a process of capacity building: a small group of young economists was trained in the state-of-the-art impact assessments to lead technical discussions within the WTO in relation to formulas that could lessen trade distortions in agriculture [Robin 2008]. Interestingly, some of these economists had attended the ministerial institute that Domingo Cavallo created in 1994 to select and train professionals for the Ministry of Economy. Funded by the WB, this program was an attempt to reproduce the ISEN model in place within the Ministry of Foreign Affairs since 1963. However, the program was disrupted after Cavallo left office in 1996. Later on, as the country's strategy placed greater emphasis on reciprocity in assessing concessions, public officials were compelled to further deepen their technical work and in doing so, cooperation with institutions representing the private agricultural sector was strengthened [Bouzas & Soltz 2005].

This pressing need to further develop technical capabilities was also evident within the Ministry of Foreign Relations, as shown by the research activities of the CEI. After 2002, these were more strongly focused on the evolution of multilateral negotiations. Apart from elaborating different research papers, the CEI was also in charge of the formulation of documents to present during the negotiations. This was specially encouraged by the Director of the CEI, Néstor Stancanelli, who had been himself negotiator for Argentina during the UR. In time, and as was the case during the meeting of WTO Ministers in Geneva in July 2008, for the first time two CEI's experts were part of the delegation to the ministerial meeting to offer direct technical support to the negotiators¹⁶⁹.

Thus, efforts within the Secretary of Agriculture combined with those of the Ministry of Foreign Relations just when the country was assuming a more active role at the WTO. In

¹⁶⁹ Interview with trade expert, Buenos Aires, 29 July 2008.

2002, as the multipolar trade strategy was taking off, Argentina became enthusiastically involved in the Doha Round of Negotiations and assumed a protagonist role jointly with Brazil as MERCOSUR was to be used as springboard for the integration into the world economy. In line with this, Argentina together with its regional partner, led the organization of the G20, a new issue-specific coalition of developing countries demanding reforms in agriculture in industrialized countries to achieve the full integration of the sector under the WTO commitments¹⁷⁰. This coordination was based on a common diagnosis of multilateral negotiations: the poor implementation record of the UR commitments, especially in terms of market access agreements by the EU and the United States, and the persistence of significant trade barriers in fundamental sectors, namely, agriculture, textiles, and steel. MERCOSUR countries approached WTO negotiations from a collective platform that was intended to strengthen their presence and enhance the bargaining advantage of its individual member countries. However, consensus and coordination would remain circumscribed to these particular issues – market access and agricultural liberalization – resembling in this respect the convergence and divergence evidenced between the two major partners when negotiating within the FTAA and with the EU. In time, asymmetries would hinder the development of a common and comprehensive bloc bargaining and negotiating position as in the case of asymmetric trade negotiations.

This active role of Argentina as the agenda now prioritized further agricultural trade liberalization was based on enhanced technical capabilities, which were given by the sound technical work of public officials but also by the closer articulation with the private sector.

Regarding the participation of business actors, the launch of the Doha Round marked an important turning point. Whereas business participation during the UR was relatively modest, the creation of the WTO and especially the launch of the Doha Round arose the interest of a larger number of business actors, though the degree of engagement showed variance across sectors.

Within the industrial sector, business participation at the WTO has been rather negligible. On the one hand, business actors viewed these negotiations as having no immediate impact on their activities: *“These are very tedious, long negotiations, and in general, our businessmen live day by*

¹⁷⁰ Established before the WTO Ministerial Meeting in Cancun, the coalition is also formed by Bolivia, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe, even if there have been some changes in its membership.

day, thus it is more attractive to invite them to discuss a change in the norm regulating tax devolutions rather than to discuss an initiative within the WTO”¹⁷¹. On the other hand, they tended to believe that commitments at the multilateral level were largely inaccessible and impermeable to their influence given that Argentina only represented a small portion of world trade and had to negotiate with other 150 countries [Makuc 2008]. To a certain extent, the lack of transparency and information also contributed to this evaluation: traditional lobbying strategies were not very useful for procuring information on the negotiations from public officials and trade negotiators [Bouzas & Soltz 2005]. Finally, and as put by a trade diplomat: “Discussions at the WTO involved reduction formulas, nobody was discussing a specific product or tariff (...). These discussions were rather abstract for businessmen”¹⁷². Being part of these “abstract” or technically complex discussions demanded enhanced expertise and technical capabilities.

Industrial interests, especially those under the UIA aegis, were more prominently defensive rather than offensive. The CERA had also been identified as one of the business chambers showing interest in multilateral negotiations. However, and as long as its main objective was not to unify sectoral positions but rather to promote their members’ competitiveness by offering specialized advice regarding exports and international trade, their interaction with public officials was mainly based on specific consultations regarding particular trade rules or commitments and their impact on export concerns¹⁷³. In other words, CERA was not actively involved in the definition of a negotiating position or at the negotiation table itself, as had been the case of other chambers, such as the CIQyP. Through their cooperative and fluid relation with the Secretariat of Trade and the Foreign Office, the CIQyP was part of the official ministerial delegation to provide technical support to negotiators and participated during the negotiations within the Non-Agricultural Market Access (NAMA) 11¹⁷⁴.

¹⁷¹ Interview with business representative, Buenos Aires, 28 November 2007.

¹⁷² Interview with trade diplomat (1), Buenos Aires, 30 July 2008.

¹⁷³ Interview with business representative, Buenos Aires, 28 November 2007.

¹⁷⁴ Interview with business representative, Buenos Aires, 30 November 2007.

The NAMA 11 was created in 2005, after the WTO Ministerial Meeting in Hong Kong, by a group of developing countries seeking flexibilities to limit market opening in industrial goods trade. Apart from Argentina, the group also included the Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia.

Within the agricultural sector, the failed WTO Ministerial Conference in Seattle was certainly a turning point and one offering an important incentive to invest in its own leadership and institutional capabilities. In June 1999, the Buenos Aires Grain Exchange (Bolsa de Cereales de Buenos Aires), the Rosario Board of Trade (Bolsa de Comercio de Rosario), and the Bahía Blanca Grain Exchange (Bolsa de Cereales de Bahía Blanca) created the International Negotiation on Agriculture Institute (INAI, Instituto para las Negociaciones Agrícolas Internacionales). Later on, the initiative gained the support of other sectoral associations, including CIARA and Chamber of Grains Exporters (CEC, Centro de Exportadores de Cereales), among others¹⁷⁵.

The creation of this institution was mainly determined by the already perceived need to develop strong advocacy structures, based on not only the traditional lobby or pressure strategies, but also more importantly on sound technical capabilities. As put by one sectoral representative: *“Negotiations at the WTO were now highly sophisticated, contrarily to negotiations during the UR when discussions revolved around general guidelines aimed at achieving further liberalization. As negotiations evolved, analyses gained in sophistication, and this was an obstacle”*¹⁷⁶. It was crucial hence to develop adequate capabilities to match the new technical requirements of the multilateral trade agenda. The INAI was intended to fulfil this pressing need to understand and participate more effectively in the trade decision-making process. The institution committed itself to the analyses of the technical complexities the cereal and oilseed sectors faced in international negotiations. Only some months after its creation, just after the Seattle conference, and based on this competitive advantage, the INAI began to work steadily with the Secretariat of Agriculture. In time, it developed a cooperative articulation with the technical and professional experts in that public agency to the extent that the INAI turned out to be the obliged reference regarding trade negotiations. As put by one of its members, INAI worked to fulfil the demands of the Secretariat of Agriculture by providing technical analyses and information, but also those of the Ministry of Foreign Relations. This included the assessment of negotiating proposals, the analysis of particular standards, the provision of technical input in legal controversies – as the one with Chile over the price band system – and the presentation of detailed information on the EU CAP,

¹⁷⁵ For further details, see http://www.inai.org.ar/sitio_nuevo/ingles/institucional.asp, accessed 27 June 2010.

¹⁷⁶ Interview with business representative, Buenos Aires, 29 November 2007.

among others¹⁷⁷. As the interaction with public officials deepened, the research agenda of the INAI expanded to include other sectors in their analyses. An in-house training scheme was also implemented through the so-called “Working Tables” (Mesas de Trabajo), where agribusiness representatives and public officials from various agencies met to analyze the proposals of the sector.

In sum, because of this dynamic, the collaborative articulation with the public sector was deepened while the INAI assumed the leadership of the agribusiness sector. This was shown in the next Ministerial Conferences (Cancun, 2003 and Hong Kong, 2005), where this think-tank coordinated the agribusiness position through the establishment of some minimum common denominators. In addition, the INAI was part of the room-next-door to make sure no agreement was made unless these issues were accepted. An attempt was also made to coordinate this position with industrial interests, with no positive results¹⁷⁸.

The launch of the Doha Round just revived the traditional cleavages between industrialist and agricultural interests. The first assumed a rather defensive attitude based on the idea that the negative costs of this negotiation round would be especially born by medium countries such as Argentina and Brazil. While they called for a more active industrial policy and a clearer international strategy on behalf of the government, according to public officials the sector usually failed to provide a unified position regarding negotiations on tariffs or on market access for non-agricultural products¹⁷⁹. On the contrary, the agricultural sector – a net exporter – had a positive and monolithic vision of the WTO process. At the multilateral level, agricultural interests actively pushed to promote reform and in doing so, managed to build and deepen a cooperative relationship with public officials, especially in the Secretariat of Agriculture. This articulation was based on the need of public officials to count with detailed technical information after the Seattle Ministerial Conference, but also on the capabilities of this sector to develop the required information. As the liaison with public officials and negotiators deepened, the INAI and the various sectoral associations behind it had further incentives to invest in their organization to promote their institutional leadership and capabilities. However, this close and active

¹⁷⁷ Interview with business representative, Buenos Aires, 29 November 2007, and with trade expert, Buenos Aires, 29 November 2007.

¹⁷⁸ Interview with trade expert, Buenos Aires, 29 November 2007.

¹⁷⁹ Interview with business representative, Buenos Aires, 19 November 2007, and with public official (2), Buenos Aires, 8 August 2008.

relation was still based on informal channels and mechanisms, the same informalities that also pervaded the relation between public officials and industrialist interests.

Finally, civil society involvement in multilateral trade negotiations has not been that frequent and has been focused on other agendas, namely those related to trade liberalization in services, including health and education, among others. Building on these agendas, some NGOs have developed different activities aimed at raising awareness about the impacts of trade liberalization on daily life and have organized meetings and seminars to develop technical capabilities and to produce a common stance on these issues¹⁸⁰. Only a few NGOs have assumed a more direct and active participation as in the case of CEDHA that was present at the Doha Ministerial Conference. The decision to attend this crucial meeting, where a new round focused on development would be launched, was not based on a previous invitation by the government. Contrary to what had been the experience of other countries, the Argentine government did not include NGOs representatives in the official delegation to these meetings. In general terms, they lacked fluent and frequent access to discuss multilateral issues, and participation was circumscribed to the more general discussions within the CCSC. Thus, they valued positively the fact that during the Doha Ministerial Meeting, they had the chance of discussing some issues related to trade, human rights, and development with one of the public officials. However, this was merely a presentation of their proposals and suggestions, rather than an interchange of ideas and positions¹⁸¹.

Trade unions also argued that the relation with public officials regarding multilateral negotiations is minor. However, in those cases where the negotiation agenda included an issue of particular interest to them, their strategy was to articulate their demands through the International Trade Union Confederation (ITUC), the main worldwide trade union organization¹⁸².

The articulation between state, labour, and civil society representatives had remained thin and largely informal, being this low degree of institutionalization and informality especially striking when compared to the mechanisms – formal and informal – on which business actors could rely to promote their own claims and demands.

¹⁸⁰ Interview with civil society representative (1), Buenos Aires, 23 November 2007.

¹⁸¹ Interview with civil society representative, Buenos Aires, 28 November 2007.

¹⁸² Interview with trade union representative, Buenos Aires, 12 November 2007.

Table 6.3. presents a summary of these various articulations between state and non-state actors in the context of multilateral trade negotiations under the WTO.

Table 6.3. Multilateral trade negotiations under the WTO in Argentina

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
Doha Round	<i>Business</i>	Extended inclusion	Collaborative: CIQyP, INAI, SRA, sectoral associations (automotive) Competitive: UIA, sectoral associations (textiles, footwear)	Cooperative Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions, NGOs	Formalistic

Source: The author.

CHAPTER 7

TRADE GOVERNANCE IN CHILE

Within Latin America, Chile stands out for its stable trade policies and the rapid negotiation of trade agreements with countries and regions all over the world. Thus, Chile has today 21 free trade agreements that represent 92, 8% of the country's total exports¹⁸³.

Certainly, these were the result of stable trade policies across time, but mainly across regimes and governments. The dictatorship of Augusto Pinochet introduced radical changes towards de-regulation and increasing liberalization on a unilateral basis while also participating in multilateral negotiations under the GATT. Through different stages, tariffs were reduced to a flat 10%¹⁸⁴ while at the same time important transformations were introduced in the productive structure of those sectors having clear comparative advantages. These included natural resources – namely, fishing, fruits and vegetables, mining, and forestry – services – financial services, pensions, and insurance – and some non-tradable products [Scherman 1980; Valdés 1992].

The new democratic government intended to continue this unilateral liberalization and export-led strategy, which would now be complemented with regional trade agreements. Retrospectively, the first three democratic governments shared a common spirit regarding regional and multilateral trade liberalization. However, with some nuances, the different Concertación administrations were committed to this liberalization strategy in order to reinsert Chile in the regional and international concert. This entailed reinforcing the unilateral liberalization model in place since the mid-1970s and complementing it with multilateral negotiations and the establishment of bilateral and plurilateral¹⁸⁵ trade agreements under the format of the so-called “open regionalism”, which was aimed at preferential liberalization while also seeking widening sectors, issues and countries¹⁸⁶.

¹⁸³ For further details, see Comercio Exterior de Chile, Primer Trimestre 2009, available at http://cms.chileinfo.com/documentos/Inf_1trim_2009_vf.pdf, accessed 30 May 2009.

¹⁸⁴ The average tariff increased from 10.1% in 1980-1982 to 22.7% in 1982-1985. It would then be reduced to 17.6% between 1985-1989 [Ffrench-Davis 2004].

¹⁸⁵ Sáez & Valdes [1999] elaborated on the idea of Chile's “lateral” trade policy to depict this multidimensional strategy involving unilateral, bilateral, plurilateral and multilateral liberalization mechanisms.

¹⁸⁶ For a detailed analysis of Chile's trade policy under the Concertación, see *inter alia*, Sáez & Valdés S. [1999], Van Klaveren [2000], Silva [2001], and Rosales [2004].

Consequently, since 1990 Chile has been immersed in numerous trade negotiations. While the first democratic governments had mainly dealt with South-South or symmetric regional negotiations given the United States rejection to enter negotiations for an FTA, these would be later on, accompanied by North-South or asymmetric trade negotiations, while simultaneously negotiating at the WTO.

As democratic governments combined this strategy of unilateral trade liberalization with the promotion of FTAs, how did state and non-state actors interrelate and articulate when dealing with the challenges and novelties brought about by these various trade negotiations? The next sections are intended to shed light on the impact of these different trade agendas on the domestic trade governance and present an analytical narrative of the constellation of interests and articulations that emerged after the launch of symmetric, asymmetric, and multilateral trade negotiations.

7.1. The “*barrio*” and South-South regional negotiations

After 17 years of isolation, it was the first democratic government led by Patricio Aylwin (1990-1994) the one facing the imperious need of reinserting Chile in the regional and international scenario. To the extent that regional agreements were intended not only to open new markets but mainly to strengthen political ties with other countries, both economic and political factors underpinned the open regionalism strategy. Still differences emerged within the government regarding the actual orientation and implementation of the country’s trade strategy, especially on which partners should be prioritized.

The Ministry of Foreign Affairs was the leader in this rush towards the diversification of trade relations and together with the Ministry of Economy advocated negotiations with Latin American countries or “*the barrio*” as a means of expanding markets but mainly of reinserting Chile in the neighbourhood. On the contrary, the establishment of a trade agreement with the United States and the incorporation of Chile in NAFTA were clearly a priority of the Ministry of Finance, even if this entailed relegating the country’s insertion in Latin America. In this context, the mediation of the president would be fundamental in determining the final criteria and objectives guiding the trade strategy.

Under the auspices of the Aylwin administration, Chile would thus veer towards trade agreements with Latin American countries, as part of the implementation of the second

export phase¹⁸⁷, which entailed productive reconversion, development policies, and compensation measures for sensitive sectors. The second democratic administration led by Eduardo Frei (1994-2000) showed a similar inclination towards *the barrio*. Though the negotiation of asymmetric trade negotiations would start already with Frei, these would constitute the core of Ricardo Lagos' agenda (2000-2006).

a) Trade negotiations with Mexico: a stepping stone negotiation

Within this framework, in 1990 shortly after the reestablishment of relations with Mexico, trade negotiations were launched to establish a broad trade agreement as part of the second export phase. The agreement was thus intended to deepen the recently re-established diplomatic relations between both countries¹⁸⁸ and it was seen as the door leading to Chile's membership in NAFTA¹⁸⁹. In this sense, launching negotiations with Mexico did not invalidate the persistent and strong political interest in joining NAFTA and establishing an FTA with the United States, a shared objective of state and business actors.

Negotiations with Mexico were expected to be quick and simple as both administrations were deeply interested in the agreement. However, the negotiation process turned out to be more complex and conflictive than initially expected, as governments had to face the pressure exercised by domestic business actors. In the case of Chile, the business community assumed a defensive attitude towards these negotiations, which was even stronger in the case of agricultural interests under the SNA. Despite business opposition and pressures, and the limited capabilities of public officials and trade diplomats, the deal was signed in 1992 and shortly after its implementation, the agreement showed clearly positive results both in terms of trade and investment dynamics. Chilean business actors and their Mexican counterparts would then ask the Administrative Commission an acceleration of the tariff reduction schedule [Porras 2003].

¹⁸⁷ Whereas the Ministries of Economy and Agriculture inclined towards the implementation of the second export phase, the Ministry of Finance privileged uniform tax reductions [Silva 2001].

¹⁸⁸ After the coup d'état of 1973, Mexico condemned the dictatorship of Augusto Pinochet and finally broke off diplomatic relations with Chile in November 1973. For further analysis on the foreign relations under the military government in Chile, see Muñoz [1985].

¹⁸⁹ Interview with trade expert, Santiago, 25 July 2008.

Despite this “happy ending”, the launch of trade negotiations with Mexico implied a serious challenge for the government in the early 1990s. In the first place, the government was faced with the need to build its institutional leadership over trade policy and regional and international trade negotiations to assure the success of this search for new trade agreements. After 17 years of authoritarian rule, the role of institutional structures and rules in the formulation of trade policy decisions had to be renewed in accordance with the principles of transparency and accountability attached to the democratic canon. Second, the state’s capabilities had to be enhanced to deal effectively with the challenges posed by this ambitious and multifaceted trade strategy. As put by the then Minister of Finance, Alejandro Foxley Rioseco [1993:50], international integration and the negotiation of various and simultaneous trade agreements entailed an important challenge for Chile: the government needed to develop the technical capabilities of a large number of public officials to negotiate effectively. In sum, the international agenda set by the Concertación exceeded the resources and capabilities of the Ministry of Foreign Affairs and especially, those of the DIRECON.

Building on this and starting with Mexico, in the early 1990s a more complex division of labour was established across ministries. Whereas the Ministry of Foreign Affairs was made responsible for negotiations with Latin America, together with the Ministry of Economy who was also in charge of Asia-Pacific and the EU, the Ministry of Finance was to concentrate on North America. However, as this initial attempt at enhancing the state’s institutional leadership failed, coordination became a priority.

Until then and as inherited from Pinochet’s administration, international trade policy was the shared responsibility of three ministries: Finance, Economy, and Foreign Relations. Within the latter, two twin institutions were responsible for trade negotiations and trade promotion: the DIRECON and ProChile, respectively. While ProChile was intended to promote the diversification of national firms into new export products and markets, the DIRECON had been the main responsible for the negotiation of trade agreements, which had mostly involved the negotiations undertaken by Chile within the framework of the LAIA during the 1980s.

To promote institutional capabilities after the advent of democracy, the DIRECON was filled with young and well-educated economists. In this sense, the formulation of trade policy was not exempt from a more general trend: the consolidation of economists as “a

*new dominant class*¹⁹⁰ through their incorporation in ministerial positions, including those highly political. Nevertheless, most of these young professionals had no professional experience. This lack of expertise was to a certain extent compensated by retaining some of the key negotiators of the past dictatorship, who would have a leading role in the negotiation of the agreement with Mexico¹⁹¹. Thus, during this negotiation, the government relied on the combination of the knowledge of these young professionals with the trade expertise of old public officials.

By then, this proficiency could not be provided by business actors. These exhibited rather weak capabilities and limited expertise in trade negotiations in spite of their previous experience during the 1980s when, relying on increased access and influence over the decision-making process, the DIRECON consulted business groups about the exchange of concessions on products within the LAIA framework. Moreover, business actors were invited to participate in Chile's negotiating delegations. As recalled by a former public official and current business representative: *"The private sector was always accredited and participated in the negotiation room, not in the room next door. Today participating in the room next-door is taken as the best option and the best coordination strategy. I would say that between (19)81 and (19)90 we always participated in the room and the government asked the Confederation for Production and Commerce to accredit two private officials to participate"*¹⁹².

In the 1990s, public officials and negotiators had to negotiate on their own. Still, and as explained by a business representative, this was not because of the government's refusal to consult with business actors, but rather because the private sector was not capable of responding to the government's demands and requirements¹⁹³. In addition, governmental consultations were mainly directed towards the CPC, which showed two important limitations. First, being a third-degree association, the CPC did not have direct contact with industrialists and productive actors, as they mainly nucleated second-degree organizations. Second, the CPC had only limited human resources and expertise to respond to these demands in due time and manner. In sum, given these narrow capabilities, business actors failed to elaborate proposals or suggestions and even reports on their vulnerabilities and

¹⁹⁰ Interview with trade expert, Santiago, 25 July 2008.

¹⁹¹ Interview with business representative (1), Santiago, 23 July 2008.

¹⁹² Ídem.

¹⁹³ Ídem.

sensitivities¹⁹⁴. This may account for the strong opposition the negotiation with Mexico faced from business actors, who based on an over-estimation of the negative impact the agreement could have, especially on the agricultural sector, presented a list of 224 products representing 30% of Mexican exports to Chile, which should be excluded from the agreement.

Yet, disagreements between business actors and the government went well beyond this particular negotiation and were more profoundly related to their distrust of the center-left coalition and their opposition to the new regional and international trade strategy.

An important segment of business interests was deeply suspicious of the government's new trade strategy aimed at complementing unilateral liberalization with the establishment of PTAs. Agricultural interests under the SNA were the most fervent opponents to this strategy, as they believed it distorted the tariff policy and exposed Chilean products to unfair competition in countries where subsidies were still applied. They were seconded though with less intensity by the CPC, which, without completely discarding the trade strategy, suggested that before advancing with the signature of trade agreements, investments should be made in infrastructures, human resources and state institutions [Montero & Federici 1999]. Only non-traditional exporters evidenced a more open attitude towards the new trade strategy. In more general terms, business actors would initially show resistance to the signature of trade agreements, as they believed it distorted unilateral liberalization to which they showed more sympathy. Hence, the new administration led by Patricio Aylwin had to respond to a double imperative: gaining business confidence by showing commitment to the market-based economy, on the one hand, and convincing them of the benefits of regional and multilateral trade liberalization to get business actors on the bandwagon of trade negotiations, on the other.

In order to promote a better understanding between state and non-state actors and to enhance participation and transparency in the decision-making process in a policy area which was now crucial in the government's agenda, business and labour representatives were invited to participate in the definition of the trade strategy through the Bilateral Council for Trade and Investment (Consejo Bilateral de Comercio e Inversión). Set up in October 1990, this tripartite consultative body can be seen as an attempt to provide a

¹⁹⁴ Ídem.

framework where state and non-state actors could debate the new trade agenda and look for consensual policy options.

As the negotiation with Mexico was launched, the government established new organizational procedures to build on its institutional leadership and legitimacy. Still, while building on the legitimacy deficit, attention was mainly drawn to business actors as the government needed to overcome their distrust and rally their support for its new trade strategy, which was expected to allow for quicker and deeper results than those obtained through unilateral and multilateral trade liberalization. As negotiations advanced, however, the various mechanisms established proved to be insufficient.

Dialogue and articulation between state and business actors were then hampered by two elements. On the one hand, the government lacked experience in connecting with business actors but also in dealing with these more complex and variegated trade agendas. On the other hand, given business's lack of technical expertise and capacity, they found it difficult to offer concrete proposals and suggestions, and assumed a competitive strategy towards the agreement with Mexico, but also towards the new government's trade strategy as well. Nevertheless, in time the conciliatory and moderate leadership style of the centrist Christian Democratic Party that dominated the centre-left coalition during the first two administrations of the Concertación contributed to build confidence between the government and business actors [Silva 2002]. Already under the Aylwin administration, the policymaking process was designed by the adherence to the socio-economic model inherited from the dictatorship and the patterns of articulation with business actors. Policymakers sought the active collaboration of the private sector in those issues where business interests could be affected, whereas other social actors' participation was kept within certain limits.

This was especially evident in the trade policy decision-making process. Even if in formal terms, trade unions were part of the recently created mechanisms, they were not actively involved in the formulation of trade policy in general and more specifically, regarding the negotiation with Mexico. When this negotiation process was launched, Chile was undergoing democratic restoration, which entailed greater expectations regarding civil society participation. Different forms of social organization and mobilization were reactivated to promote an agenda focused on the reestablishment of rights within the

process of democratic consolidation [Rojas Aravena & Pey 2003]. Trade unions and CSOs were recovering after over 17 years of military dictatorship.

Whereas business associations had enjoyed access to decision makers during the dictatorship, trade unions became object of all kind of legal prohibitions and persecutions that affected their activities and level of affiliation. CSOs were also having difficulties in the early 1990s. Having assumed a non-conformist and anti-establishment stance during the 1980s, they now had to reorient their discourse and activities to adapt it to the new political times.

Trade policy formulation and negotiations with Mexico did not rank high on the agendas of trade unions and CSOs in the early 1990s. Even if trade unions were formally part of the decision-making process through the Bilateral Council for Trade and Investment, where no major objections were presented to the agreement and to the country's new trade strategy, this collaborative stance led to a formalistic articulation with state actors.

b) Trade negotiations with MERCOSUR: a long and highly-debated negotiation process

The relation between Chile and MERCOSUR evolved gradually over a number of years. Talks were initiated already in 1991 when Chile was invited to sign the Treaty of Asuncion, an offer that raised opposing responses within the government. The Executive emphasized – just as in the case of Mexico – the political and economic relevance of this agreement, which would contribute to Chile's political re-insertion in the region and enhance the government's strategy of moving towards a second export phase. However this was met with the strong opposition of the government's economic area which, under the lead of the Ministry of Finance, argued that such an agreement would condition Chile's strategy of trade liberalization, especially in terms of gaining access to third countries' markets. Second, government economists – an important majority in the new democratic administration – showed high resistance to this agreement because of the high economic instability of MERCOSUR countries and the then dubious perspectives about the new regional initiative [Porras 2003]. These objections and resistances were met with a rather timid contra-offensive on behalf of those state actors advocating deeper relations with neighbour countries, namely the Ministries of Foreign Affairs and Economy. In sum, the

offer to join the Southern bloc would be finally declined as considerations of economic autonomy prevailed over political ones.

The idea of a liaison was re-activated under Frei's administration and negotiations were finally launched in June 1994. Economic considerations underlay this decision. First, the new administration feared that the creation of a customs union between MERCOSUR countries would have a negative impact on Chile's economy because of the elimination of preferential tariffs accorded within LAIA. Second, the balance of trade had grown immensely (from 2.100 million dollars in 1991 to 4.500 million dollars in 1995) and Chilean FDI had expanded in the four countries, but especially in Argentina. Finally, by then the Southern bloc seemed to be solvent and well on the way to consolidation, dissipating thus previous fears regarding its sustainability. Moreover, MERCOSUR appeared as a potential ally to face the ongoing process of restructuration of trade alliances in international markets. Although Chile's proposal was limited to a less encompassing ECA with MERCOSUR, the initiative would have to pull down economic resistances and protectionist barricades in the domestic arena. Pressures from within and from below put the institutional structure and the procedures for interest mediation to severe test.

As in the case of the negotiation process with Mexico, given the government's commitment to the new trade strategy and to the reinsertion of Chile in the international concert, an agreement with MERCOSUR was signed in 1996 despite the pressures and opposition that this negotiation arose in the domestic arena. Chile joined MERCOSUR as an associate member on October 1, 1996.

Within the public side and starting with this negotiation process, Frei's administration intended to improve the unity and consistency of the trade liberalization strategy across the different stages – formulation, negotiation, and implementation. This certainly demanded greater coordination among public agencies but also stronger capabilities. Dealing effectively with business interests was another priority on the reform agenda.

Based on this diagnosis, a first move consisted in making the DIRECON responsible for the coordination of all trade negotiations. Essential institutional transformations were thus operated within the DIRECON and different departments were created according to regional – MERCOSUR, EU, and Asian-Pacific, among others – and thematic criteria – market access, IPRs and environmental issues. Changes within the DIRECON were in fact part of a more extensive reform program to promote further coordination and coherence

in preferences and resources of state actors. The design of this reform, which was modelled following the experience of the Mexican Secretariat of Commerce and Industrial Promotion (SECOFI, Secretaría de Comercio y Fomento Industrial de México) and the office of the United States Trade Representative (USTR) [Jara 2001], included the creation of three new mechanisms.

First, the Inter-Ministerial Committee on International Economic Negotiations (Comité Interministerial de Negociaciones Económicas Internacionales) brought together the ministers of Foreign Affairs, Finance, Economy, and Agriculture, and the Ministry General Secretariat of the Presidency (SEGPRES, Ministerio Secretaría General de la Presidencia)¹⁹⁵. This consultative forum was intended to enhance coordination regarding the formulation of trade policy decisions and to advise the President through the elaboration of specific policy recommendations. Further support to this mechanism was provided by the Committee of Negotiators (Comité de Negociadores) and the Committee for the Private Sector Participation (Comité de Participación del Sector Privado)¹⁹⁶.

Of a more technical nature, the Committee of Negotiators was in charge of examining the evolution of the different trade negotiations. The Committee established thus continuous interaction with chief negotiators, trade diplomats, public officials in other areas, and a wide range of non-state actors: consultants, experts, academics, and business representatives. Trade unions and other civil society representatives appeared as the only actors being excluded from this mechanism, but the former were part of the Committee for the Private Sector Participation, which was composed of the Ministers of Economy, Foreign Affairs, Finance, Agriculture and the SEGPRES, and two business and labour delegates from the CPC and the CUT respectively. More specialized information and advice was to be provided by the participation of three personalities, appointed by the President on the basis of their expertise in international trade negotiations.

From an institutional point of view, these various changes and innovations were an attempt to deepen and consolidate the domestic governance of trade negotiations by enhancing institutional leadership and capabilities of state actors, on the one hand, and the

¹⁹⁵ The SEGPRES is a neuralgic and strategic body of the Presidency that manages the political agenda of the government and the relationship with Congress, and which was elevated to ministerial level early in the Aylwin administration.

¹⁹⁶ This was regulated by the Decree 419 issued on 7 April 1995; available at http://www.direcon.cl/transparencia/PDF_Transparencia/04-decreto-419-1995.pdf, accessed 15 April 2010.

articulations with non-state actors, on the other. In terms of state interests, the inclusion of the Ministry of Agriculture in these various mechanisms showed the relevance of this agenda in regional and international negotiations, as was the case during the negotiations with MERCOSUR. On the other hand, and from the perspective of business actors, these innovations deepened their articulation and relations with public officials and negotiators. Still, the launch of negotiations with MERCOSUR would reveal two shortcomings. In the first place, the complexity and heterogeneity of business interests and demands exceeded the institutional capabilities of these newly set of structures. Second, liaison with state actors would go beyond these formal mechanisms and business actors would extensively resort to dialogue and interchanges in informal spaces as well.

Large sectors of business showed a rather sceptical attitude. Even if the new agenda under negotiation did not entail restrictions in Chile's autonomy in trade policy, in general terms, large business interests advocated deepening the unilateral trade liberalizing strategy. Moreover, when it came to trade agreements, they privileged an agreement with the United States. Yet, this sceptical stance could not overcome the enthusiasm of industrialists, who under the SOFOFA and the Association of Manufacture and Services Exporters (ASEXMA, Asociación de Exportadores de Manufactures y Servicios), were deeply interested in an agreement with MERCOSUR. Still, the most critical opposition to the negotiation process would come from the SNA.

The importance of informality and traditional strategies was shown by the SOFOFA and ASEXMA, who lobbied the government extensively to promote the agreement even before negotiations were formally launched. Clearly, their intention was to avoid the experience of the previous agreement with Bolivia, where SNA protectionist interests managed to predominate and thus, only a partial agreement was signed to protect a few agricultural products at the expense of broader exporting interests [Porrás 2003]. Their liberalization agenda with MERCOSUR was seconded by the agro-industry, some niches of the fishing industry, the mining sector, and other traditional manufactures, including textiles and shoes. Another sector also offered fundamental support to negotiations with the Southern bloc: services.

Agglutinated under the National Corporation for Exporters (CNE, Corporación Nacional de Exportadores) – created by ASEXMA to include the representation of non-industrial exporters – and under the Services Committee (Comité de Servicios) established within the

CNC, these actors favoured far-reaching economic integration with MERCOSUR. Along with service interests, ASEXMA and SOFOFA were also joined by the Chilean Construction Chamber (CChC, Cámara Chilena de la Construcción), the Chilean Association of Banks and Financial Institutions (ABIF, Asociación de Bancos e Instituciones Financieras de Chile). Having acknowledged the irreversibility of the new trade strategy, these actors were now committed to promoting their export interests.

This stance was faced with the vigorous opposition of agricultural interests, though these showed diverging positions. Non-traditional agricultural exporters recognized the negative impact an agreement with MERCOSUR could have on particular sectors and proposed thus the creation of complementary programs to compensate for the costs of the agreement and to modernize and improve the sector's competitiveness. Contrariwise, the SNA highlighted the potentially massive economic and social cost for traditional agriculture and demanded exclusion of all traditional agricultural products, which represented most of MERCOSUR exports to Chile. Moreover, the SNA assumed a rather radical stance: it refused to participate in the negotiations through the institutional mechanisms available and resorted to public demonstrations, protests through the media, and even lobbying the Congress. Nevertheless, the SNA managed to gain the support of the CPC, which, without rejecting the trade agreement with MERCOSUR, endorsed the claims of the SNA and the idea of compensating measures and phasing-out schemes. Thus, the CPC attempted at balancing the defensive concerns of agricultural interests with those of the more offensive sectors led by SOFOFA and ASEXMA.

The negotiation process with MERCOSUR revealed the fragility of the institutional mechanisms devised for the articulation of interests, but also the thin capabilities of business actors. On the public side, the lobbying of the SOFOFA and ASEXMA before negotiations with MERCOSUR were even launched, illustrated a typical pattern of articulation between state and business actors: informality. In effect, even if different formal channels were already in place to promote domestic trade governance, these were complemented with informal mechanisms whose prominence increased when existing institutionalized channels proved to be insufficient or inadequate for voicing particular demands. This was the case with the Committee for the Private Sector Participation where the CPC was the only actor allowed to voice the demands of the business sector. However, in the negotiations with MERCOSUR, apart from its narrow trade capabilities, the CPC

would also exhibit limited representativeness. To the extent that the CPC would assume a more conciliatory approach and based on the results of the negotiations, for business actors supporting liberalization with the Southern bloc, informal access to decision-makers turned out to be a fundamental and necessary mechanism to defend their own free trade agendas. Similarly, the SNA who, apart from being represented by the CPC before the Committee for the Private Sector Participation also enjoyed access to the Ministry of Agriculture through the National Council for Agriculture Development (Consejo Nacional para el Desarrollo de la Agricultura), resorted to non-institutionalized channels. The SNA deployed thus, more drastic and visible strategies in accordance with their radical stance. Hence, apart from the more formal institutional framework, dialogue and liaisons between state and business actors related to the country's trade strategy were mainly developed within informal spaces.

This brings us then to the institutional leadership and capabilities of business actors. After the launch of trade negotiations with MERCOSUR, business participation was still hampered by lack of technical expertise and capabilities. ASEXMA was, so far, a partial exception to this rule. Since its creation in 1985, ASEXMA had assumed a more offensive strategy regarding export-activities and had developed institutional capabilities accordingly. Building on these, as the country faced the first symmetric negotiations, ASEXMA attempted to reach agreements with their counterparts in these countries before the formal launching of negotiations [Bull 2008]. This more open and offensive attitude towards free trade led to frequent clashes with SOFOFA, who only recently had adopted the FTA cannon and had not yet developed trade capabilities and expertise. Within this conflictive context, negotiations with MERCOSUR revealed that given the limitations of business associations – being these more marked in the case of industrialist interests – to adequately respond to governments' demands, the CPC was still crucial in the harmonization of opposing sectoral views, which, in turn made the agreement viable in spite of strong divergent sectoral interests. Based on their more open stance to the negotiation of FTAs, it was clear for SOFOFA then that they needed to develop and enhance their trade policy advisory skills if they were to become the main interlocutors of the government in this policy field¹⁹⁷. A similar perception seemed to pervade the SNA, even if the organization

¹⁹⁷ Interview with business representative (1), Santiago, 23 July 2008.

still managed to obtain a compensatory fund from the government after the agreement with MERCOSUR.

Finally, the activation of labour and CSOs representatives after the launch of negotiations with MERCOSUR remained fairly low. Though labour actors were formally invited to participate in the trade policymaking process within the Committee for the Private Sector Participation, their role was negligible until the late 1990s. Different elements could explain this. First, structural problems derived from the crisis of the labour movement in Chile, after years of proscription and repression. Second, labour unions were then deeply involved in more domestic debates but of great relevance such as the labour reform, which was faced with strong opposition on behalf of business associations who opposed the idea of modernizing labour relations. A final element refers to the lack of adequate technical capabilities to effectively participate in the trade policy decision-making process. These different elements combined may account for their low reaction to the launch of trade negotiations with MERCOSUR.

However, when asked about their evaluation of the negotiation process, both trade unions and NGOs – mainly, consumers and environmental organizations – showed a collaborative strategy, as they believed the agreement could have positive effects. A common underlying concern had to do with the need to consider the social impact of these agreements. Based on this, trade unions argued that an agreement with MERCOSUR could have a positive effect on SMEs and thus on employment, whereas environmental and consumers organizations considered this association would promote and enhance domestic regulations and the visibility and legitimacy of these agendas in the national arena. In addition, the agreement would allow working together with similar organizations in the rest of MERCOSUR countries, promoting thus collaboration and information-sharing [Carnevali 1999].

c) Trade negotiations with China: a pioneer agreement

Within this South-South scheme but with an extra-regional perspective, in January 2005 Chile launched bilateral negotiations to establish an FTA with China. Some months before, just before the Asia Pacific Economic Cooperation (APEC) Summit that took place in Santiago in November 2004, both countries expressed their aspiration for strengthening

bilateral trade relations. Already in 1970, under Allende's presidency, Chile was also the first country to establish full diplomatic relations with the Asian giant, and in 2001, both countries announced their interest in establishing a wide cooperative relationship. In sum, the launch of trade negotiations in 2005 was the result of a long process, out of which Chile turned out to be the first Latin American country to seal an FTA with China. Chile's extensive experience in trade negotiations combined with the simplicity of the bilateral FTA, which mainly focused on mutual tariff reductions, paved the way to the completion of the agreement in less than one year.

Bilateral trade negotiations with China took off 15 years after the negotiation with Mexico. By then, Chile's "*lateral*" trade strategy was well on track. The benefits of such a strategy were now publicly acknowledged by public officials, trade diplomats, and business interests. More importantly, this active engagement in regional and international trade negotiations had promoted the negotiating capabilities of state actors and business representatives, and though to a lesser extent, those of trade unions and civil society. However, these developments were determined not only by the particular agendas at stake, but also by the mechanisms deployed by state actors to allow for the effective articulation of non-state actors' demands and proposals.

During the last 15 years, leading business associations had assumed a clear free trade stance with the exception of some particular sectors, mostly secluded within the world of the small and medium entrepreneurs. Still, China generated some mixed feelings and brought again industrialists against agricultural interests. However, this time, the latter were asking for more free trade while the former were demanding exclusion. It was the government, through the DIRECON, who had to strike the balance between these conflicting interests.

Regarding the articulation with state actors, as institutional channels proved insufficient, actors resorted to the traditional pressure strategies. Still, in this game, as the SOFOFA deepened and consolidated its articulation and communication with the government and more importantly, with the DIRECON, the CONUPIA and other non-state actors – namely, trade unions and other representatives of the civil society realm – were left out of this privileged liaison. The communication strategies developed by the government in an attempt to include the latter were thus insufficient and did not offer incentives for these actors to invest in their own institutions. In turn, this may account for their narrow

collective action capabilities and the low quality of their institutional leadership in trade policy issues, as shown in the case of the negotiations with China.

These negotiations were led by the administration of Ricardo Lagos, who had showed a strong commitment to democratic participation since coming into office. This was reflected in an executive resolution recommending the incorporation of channels and mechanisms to promote citizen participation in the decision-making process, to enhance transparency and accountability. Though not binding, the Presidential Guidelines for Citizen Participation (*Instructivo Presidencial de Participación Ciudadana*)¹⁹⁸ gave way to various participatory initiatives at the national and local level. Within the Ministry of Foreign Affairs and the negotiations of FTAs, these guidelines resulted in the implementation of several mechanisms to allow for the participation of citizens and other non-state actors, apart from business representatives, who by then relied on extensive access to the domestic trade governance process.

However, the negotiations of an FTA with the largest world economy seemed to have gone unnoticed to the citizenry. Interestingly, and as argued by a former DIRECON Director, this negotiation process went almost unnoticed and did not call the attention of the public media or the political system at large even if the deal involved one of the largest world's economies of the 21st century. Moreover, at it passed through Congress, the agreement was rapidly approved by unanimity and after a very short debate, which contrasted with the highly controversial character of other agreements such as the one with the United States that demanded 27 Congress sessions¹⁹⁹.

Negotiations with China were met with resistance on behalf of trade unions, though their actual implication in the negotiation process came at rather late stage. On the one hand, the CUT criticized the agreement not only in terms of the violations of Human Rights in that country – based on a report by Amnesty International – but also regarding the impact of the agreement on particular sectors, namely, textiles, footwear, and metal industries, and small and medium agricultural producers²⁰⁰. On the other hand, without fully rejecting the

¹⁹⁸ The Presidential Guidelines were issued by Ricardo Lagos in 2000, available at <http://www.guiaweb.gob.cl/recursos/documentos/InstructivoPresidencialParticipacion.pdf>, accessed 11 May 2010.

¹⁹⁹ Interview with former public official, Santiago, 25 July 2008.

²⁰⁰ See “Tratado de Libre Comercio con China”, Document prepared by the International Relations Department, CUT, available at http://www.choike.org/documentos/cut_tlc.pdf, accessed 1 July 2010.

agreement with China, the recently created National Union of Workers (UNT, Unión Nacional de Trabajadores) led by Diego Olivares, former Director of International Relations of the CUT, demanded the inclusion of an additional protocol on labour issues.

To voice their demands, both trade unions had personal – though separated – interviews with the DIRECON Director, Carlos Furche, just a few days before the end of the last round of negotiations with China. During those encounters and following a demand of the UNT, the government promised that labour issues would be included in an additional protocol and not in a special chapter, as had been the case in the agreement with the United States. To develop the precise details and scope of this labour protocol further, the DIRECON Director was invited to participate in a council meeting at the UNT. Being aware of their limited ability to influence on the government decision regarding the FTA with China given that this would grant access to one of the largest markets, Olivares expressed that at least they wanted the government to acknowledge the labor union's position regarding this particular negotiation. Similarly, CUT representatives' demands related to the negotiations of FTAs in general and more precisely, in terms of the negotiations with China, included the incorporation of labour issues in these agreements, while at the same time expressed their fears regarding the impact free trade could have on employment²⁰¹.

Contrariwise, to what had been the experience with labor unions, business actors assumed a very active role just after the launch of trade negotiations with China. By then, they were part of the Public-Private Council for Export Development (CPPDE, Consejo Público-Privado para el Desarrollo Exportador), which was created in 2003 after the negotiation with the United States, as a response to the private sector who demanded more formal mechanisms of dialogue with the government [Sáez 2005a]. Even if it was not used as a consultation mechanism for trade negotiations, the CPPDE could be taken as an attempt to replace the vacuum left by the Committee for the Private Sector Participation that was not summoned after 2000. The CPPDE constituted a forum for exchanging information and viewpoints on ongoing trade negotiations and on trade development and promotion²⁰².

²⁰¹ See among others, “Temas laborales del TLC entre Chile y China serán incluidos en protocolo”, El Mercurio Online, Economía y Negocios, 19 October 2005, and “China: los compromisos laborales que trae el TLC”, El Mercurio Online, Economía y Negocios, 20 October 2005.

²⁰² The CPPDE included the economic authorities and all the exporting sectors of goods and services, together with customs and harbour services, international transport and logistics. Four groups were

Both the public and private sector representatives interviewed valued this mechanism positively²⁰³, as it brought together key branches of government in the economic area and business representatives of all exporting sectors in the formulation of export policy recommendations. While SMEs and labour unions were excluded from this new initiative, the CPPDE deepened the articulation between the public sector and business interests, mainly the SOFOFA.

However, as in the case of the negotiations with MERCOSUR, formal channels turned out to be insufficient. The high resistances and strong opposition manifested by sectors that until then had openly advocated free trade, overflowed the existing formal channels and mechanisms for the canalization of these demands. As clearly argued by one of the DIRECON negotiators, this negotiation reversed the dominant logic among business interests: *‘If before, 100% (of business actors) demanded market opening and it made no difference to them what products would be imported, now around 30% or 40% called for protection’*²⁰⁴. The launch of negotiations with China raised enormous business participation, but in this case, there were strong cleavages within business interests.

The most important cleavage arose between industrialists and the SNA, given way, to some extent, to the controversies and differences surrounding the negotiation with MERCOSUR in the mid-1990s. In this sense, China was to the agricultural sector what MERCOSUR was to industrialists²⁰⁵.

Traditional agricultural interests under the SNA favoured an FTA with China, as this would entail lower trade barriers and decreasing transport costs²⁰⁶. These arguments were seconded by the fruit and horticultural sectors under the Fruit Growers Federation of Chile (Fedefruta, Federación de Productores de Frutas de Chile) and the SONAMI, among others. Contrariwise, industrial interests under the SOFOFA distrusted the agreement.

established: Trade Facilitation, Productive Promotion, International Integration, and Export Promotion, Investment and Tourism. Each group was headed by an undersecretary and a business representative, and the SOFOFA served as its Secretariat. Meetings were carried in its premises every six months.

²⁰³ Interview with former public official, Santiago, 25 July 2008, and with business representative (1), Santiago, 23 July 2008.

²⁰⁴ Interview with public official (1), Santiago, 22 July 2008.

²⁰⁵ See “Gobierno enfrenta polémica SOFOFA-SNA por TLC con China”, El Mercurio Online, Economía y Negocios, 20 October 2005.

²⁰⁶ Declarations by Andrés Santa Cruz, SNA President, El Mercurio Online, Economía y Negocios, 20 November 2004, and by Luis Schmidt, Fedefruta President, El Mercurio Online, Economía y Negocios, 18 November 2004.

Within the industrialist side, this negotiation turned out to be one of the most conflicting processes as interests diverged not only with the SNA and agricultural producers, but also within the SOFOFA itself. Whereas sectors that had traditionally sustained a rather open stance – textiles, footwear, and iron and steel manufactures, among others²⁰⁷ – were now demanding protection, agricultural interests under the SOFOFA urged the association to look after their free trade interests as well. This was the case, for example, of the Association of the Chilean Exporters (ASOEX, Asociación de Exportadores de Chile) and the Association of Poultry Producers of Chile (APA, Asociación de Productores Avícolas de Chile). SOFOFA was thus torn between protectionism and free trade.

The media was – as in the case of MERCOSUR – an important battleground for this dispute among business interests, and where divergent appeals were made to the government²⁰⁸. While those favouring the agreement rejected being used as bargaining chip in the bilateral negotiations with China, the SOFOFA and the industrialist sectors – especially, the agro-industry – felt that they had already paid important costs to sustain traditional agriculture as shown by the price band system for sugar, wheat, and oil. Hence, they felt that demanding the exclusion of some particular and strategic goods from the tariff reduction scheme was fair²⁰⁹.

As SOFOFA found it hard to come with a joint proposal, the DIRECON had to directly ask sectoral business association to elaborate their own lists of priorities. Some of the sensibilities evidenced by the private sector were attended to in the agreement and even if this may have affected the market access of agricultural and agro-industrial products²¹⁰, in the end the deal established rules and disciplines. Hence, *“Chile is more protected with the agreement than without it. But this required safeguarding some products businessmen deemed important”*²¹¹.

Opposition to an FTA with China would also rise from the SMEs, led by the CONUPIA. In fact, and as explained by some of its members, their strategy in this case, as in other

²⁰⁷ Interview with public official (1), Santiago, 22 July 2008.

²⁰⁸ Interview with business representative (1), Santiago, 23 July 2008.

²⁰⁹ Interview with business representative (1), Santiago, 23 July 2008. See also the declarations by Mario García, President of the Textile Institute of Chile (INTECH, Instituto Textil de Chile), “Chile no descarta excluir textiles de TLC con China”, *El Mercurio Online, Economía y Negocios*, 23 June 2005.

²¹⁰ Declarations by Rodrigo Contreras, Head of Department of Market Access, DIRECON, in “Agro da batalla para ser gran ganador del TLC con China”, *El Mercurio Online, Economía y Negocios*, 22 September 2005.

²¹¹ Interview with business representative (1), Santiago, 23 July 2008.

trade negotiations, was marked by their strong opposition to Chile's trade policy strategy. Contrariwise, to the Concertación's model, the CONUPIA had always demanded a different trade strategy, one more focused on Latin America and the *barrio*: *"This is not the model we wanted, based on the interests of big businesses and leaving no room for the development of SMEs"*²¹². In this sense, their opposition exceeded the specific negotiation with China and even if they were consulted, they were too weak to exercise influence on the government's decision. Being systematically excluded from the trade decision-making process, organizations representing small and medium entrepreneurs seem to have been impermeable to the process of modernization and institutional strength the SOFOFA and other peak sectoral organizations had experienced, especially since the 1990s. This exclusion together with the high fragmentation of the sector has had a negative impact on their institutional leadership and trade capabilities and expertise. These asymmetries in institutional leadership and capabilities are also confirmed by the quality of their premises. In this sense, the offices of the SOFOFA in the Industry Building (Edificio de la Industria) located in Las Condes, Santiago's new business district and an area inhabited primarily by upper-mid to high-income families, contrast with the less fashionable and rather declining premises of the CONUPIA in the city centre.

During the ratification process, the Congress would prioritize protection measures for SMEs given the negative impact the agreement with China would have on the sector. However, what finally seemed to prevail was the view of larger business interests, who argued that in fact SMEs were already having extreme difficulties because Chinese products had already flooded their market, and in any case the rules and disciplines established in the FTA entailed protection and protection for all Chilean manufacturers, including SMEs²¹³.

The next table collects the diverse patterns of interest definition and articulation between state and non-state actors after the launch of symmetric or South-South negotiations in Chile.

²¹² Interview with business representative (4), Santiago, 23 July 2008.

²¹³ Interview with business representative (1), Santiago, 23 July 2008.

Table 7.1. Symmetric or South-South trade negotiations in Chile

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
Mexico	<i>Business</i>	Extended inclusion	Competitive: SRA, SNA	Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: CUT	Formalistic
MERCOSUR	<i>Business</i>	Extended inclusion	Collaborative: ABIF, ASEXMA, CChc, CNC, CNE, SOFOFA	Cooperative
			Competitive: SNA (<i>outsider</i>)	Cooptive
	<i>Civil society</i>	Limited inclusion	Collaborative: CUT; NGOs (environmental and consumers organizations)	Formalistic
China	<i>Business</i>	Extended inclusion	Collaborative: ASOEX, APA, Fedefruta, SNA, SONAMI	Cooperative
			Competitive: CONUPIA, SOFOFA	Pressure
	<i>Civil society</i>	Limited inclusion	Collaborative: CUT, UNT	Formalistic

Source: The author.

7.2. Asymmetric or North-South regional negotiations: a long-awaited goal

Already in 1990, when President George W. Bush launched the “Initiative for the Americas”, Chile was among the first countries to express interest in an FTA with this country. The initiative did not flourish, but in 1994 Chile was invited to become a member of NAFTA. Due to the difficulties faced by the trade agenda in the United States Congress – namely, the renewal of the Trade Promotion Authority (TPA) – bilateral negotiations were stalled. Even if interests and stakes had always been high in the case of an FTA with the United States, in 1995, when the Clinton administration was forced to close this door, Chile opted for a trade agreement with Canada in an attempt to enter NAFTA through the back door. Building on this idea, in 1998 the ECA with Mexico was deepened and transformed into an FTA following the NAFTA model. In this sense, both initiatives – the one directed to Mexico and the one with Canada – were certainly part of a same strategy intended to gain access into NAFTA. Finally, in 2000 the United States and Chilean

administrations agreed to start negotiations for an FTA with or without TPA. Simultaneously, and starting in 2000, Chile intensified negotiations with the EU. By then, the FTAA was already an ongoing and vibrant negotiation process involving all countries in America – with the only exception of Cuba. Chile was part of this negotiation process since its inception in December 1994. The mid-1990s and early 2000s were thus years of intense and simultaneous asymmetric trade negotiations, which gave way to particular public-private articulations as illustrated in Table 7.2.

a) The FTAA: from activism to disillusion

Chile hosted the launch of trade negotiations within the FTAA, an initiative in which the Frei administration was actively involved. This governmental enthusiasm was shared by business actors as they viewed the FTAA as a desirable goal and a large project for a country who already had FTAs with almost all the countries involved in the regional project.

The agreement was intended to achieve three objectives. In the first place, it would grant market access to 34 countries and broaden and deepen already existing trade agreements, namely the ones with MERCOSUR and the Andean Community, in the area of services, investment and government procurement. Second, it would promote clear and transparent rules and regulations together with a good dispute settlement mechanism [Frohmann s.d.]. Finally, and as argued both by state and business actors, the FTAA would simplify the operation and administration of trade: the private sector would rely on one comprehensive agreement based on common regional regulations as in the case of rules of origin²¹⁴. However, as already explained in the previous chapter, negotiations within the FTAA lingered on with no concrete results, and the new administration led by Lagos defined the establishment of an FTA with the United States as the main objective of its trade policy.

Nevertheless, in 1998, a strong and strategic alliance emerged after the launch of the FTAA negotiation process: *“When the government postulated an active policy within the FTAA, the private sector was always in favour”*²¹⁵. Business actors were *“aligned with the government”* and meetings

²¹⁴ Interview with public official, Santiago, 21 July 2008, and with business representative (1), Santiago, 23 July 2008.

²¹⁵ Interview with public official, Santiago, 21 July 2008.

were frequently organized to define a joint strategy as they sought to build together “*a strategic position as Chile*”²¹⁶.

This strategic alliance was made possible by two changes within business interests’ organization. In the first place, business associations had already developed strong trade capabilities and competencies. While in the early 1990s, trade capabilities and a strong offensive approach to FTAs seemed to be a monopoly of ASEXMA, by the end of that same decade, SOFOFA assumed the role of coordinator for the entire business community. This leadership was based on the institutional changes and the learning process the industrial association embraced in the mid-1990s. Negotiations with Mexico and MERCOSUR had been led by the CPC. Now, as the trade agenda diversified and gained in complexity, sectoral issues gained prominence and dealing with these required institutional leadership and specific trade capabilities. SOFOFA undertook several institutional changes intended to strengthen its focus on international trade, and on the negotiation of FTAs. First, in 1995, a former director of DIRECON was hired to lead the recently created Department of Foreign Trade, together with an expert on the WTO from the same institution, and a former director of ProChile as a second general manager with responsibility for strategic issues. These incorporations did not only strengthen the organization’s capabilities and technical expertise but they also provided the foundations for a closer articulation with public officials and trade diplomats. Second, when the CPC established the International Commission on Foreign Trade, SOFOFA’s Department of Foreign Trade was nominated as its technical secretariat. As power and expertise became centralised in SOFOFA, the organization provided the government with a new institutional channel for dialogue and exchange of information: the Commission of International Negotiations and Exports (Comisión de Negociaciones Internacionales y Exportaciones) which met on a monthly basis to discuss the different negotiation processes directly with the DIRECON Director. Finally, and regarding its representativeness and legitimacy, various non-industrial sectors became members of SOFOFA. These included those providing services for foreign trade: Chilean Chamber of Customs (Cámara Aduanera de Chile), Maritime, and Port Chamber of Chile (Cámara Marítima y Portuaria de Chile) together with logistics companies and courier services. By the end of the 1990s, both Chilefood (Chilealimentos) and ASOEX, one of the older associations representing

²¹⁶ Interview with business representative (1), Santiago, 23 July 2008.

agricultural export sectors, joined the industrial association²¹⁷. Thus, by the end of the 1990s, and based on its enhanced technical expertise and increasing representativeness, SOFOFA presented itself as the main business interlocutor with the government. Since then, this association has led the private sector participation in international trade negotiations.

A second important change within the business community had to do with an important restructure in business direction by the end of the 1990s. Until then business associations and representatives had acted as an “ideological bloc” based on their opposition to the government of the UP and their scepticism about state intervention and public regulation. Moreover, the upsurge of neoliberalism and their strict and rather fundamentalist adherence to it offered fertile ground for a new cultural *ethos*, where businesspersons were seen as the “protagonists” of development. In turn, this led to a strict defence of the neoliberal model and a strong reticence about changing or altering it [Campero 2003]. Whereas this identity principle guided their strategies and articulation with state actors during the first 10 years, by the end of the first democratic decade, political, economic and social changes required significant adaptations if business actors were to maintain their leading role in the country’s development strategy. By then, an important change occurred regarding their leadership. Most of the new leaders gaining ascendancy shared this cultural identity based on the idea of the business community as a fundamental and irreplaceable actor, but had a better understanding of the challenges ahead given their professional and academic background. In addition, because of their professional profiles and their age, they enjoyed better and wider dialogue with their state counterparts. This rupture between old and new business leaders was illustrated by the designation of Juan Claro and Andrés Concha in the SOFOFA, of Andrés Vicens in ASEXMA, and of Ricardo Aritzia – a successful export-oriented businessperson – as president of the SNA [Campero 2003]. Rather than deploying a monolithic and polarized strategy based on the opposition to the state, now the business community would articulate a more flexible and dialogic approach to state actors. Nevertheless, this does not preclude the emergence of differences across business associations, especially when facing particular trade negotiations.

When the FTAA was launched, there were clearly a public and a private side both at the domestic and regional level, whose articulation proceeded both in formal and informal

²¹⁷ Interview with business representative (1), Santiago, 23 July 2008.

ways. Participation at the regional level was based on an ex ante coordination mechanism. Apart from the formal mechanisms in place, meetings were held between public officials and negotiators and business representatives involved in each of the nine FTAA negotiating groups. The final aim was to reach a consensus on these various agendas to elaborate the position state actors would assume at the negotiation table, and which the SOFOFA would have to communicate to its members. Informal mechanisms at the domestic level persisted as they could be activated at any time to voice their demands and proposals to public officials and negotiators. Hence, business actors relied on double access to policymakers. At the national level, they could resort to these bilateral meetings with DIRECON officials and the various formal and informal mechanisms in place, all of which were complemented by the channels devised at the regional level, namely through the ABF.

Regarding the definition of business interests under the FTAA process, the launch of negotiations would reveal that as Chile advanced in its trade liberalization strategy and faced negotiations where the new trade agenda gained prominence, the traditional leadership of the SOFOFA would have to make up with business actors that intended to assert their own sectoral interests, as in the case of services and exporters. In effect, the FTAA negotiations elicited a strong response on behalf of the service sector that was led by two organizations acting independently of the SOFOFA.

The Coalition of Service Exporters (CES, *Coalición de Exportadores de Servicios*) was created in 1996 under the aegis of the Santiago Chamber of Commerce (CCS, *Cámara de Comercio de Santiago*). Aimed at promoting the participation of the sector in the negotiation of trade agreements, it stood for over 30 firms and associations interested in the incorporation of liberalization of trade in services in the FTAA agenda. Based on its high representativeness, the CES was very active at the domestic and regional level. Whereas in the domestic arena, the CES maintained direct and fluid relations with various public agencies, including ProChile, CORFO, and the DIRECON²¹⁸, at the regional level it played a dynamic role within the REIH where it stood for those industries exporting services, while the SOFOFA was left with the representation of industrial interests. In a similar vein, but with a focus on exporting interests at large, between 1994 and 2000 and without being a member of the CPC, the CNE managed to group together the main 23

²¹⁸ In 2004, ProChile and the CES jointly created the portal “Chileexportservices” (*chileexportaservicios*) to support the sector. For further details, see <http://www.chileexportaservicios.cl/ces/Default.aspx?tabid=370>, accessed 20 May 2010.

exporting associations, including the mining and fishing sectors, the salmon producers, and ground and maritime transportation. This multi-sectoral representation granted the CNE an important access to state actors, thus contesting the traditional role of the SOFOFA. Interestingly, ASEXMA, who acted as spokesperson for small and medium sized export-oriented manufacturing interests, also sought to act more independently from the SOFOFA during these years and actively participated within the CNE, which was created following an initiative of ASEXMA.

The CNE was actively involved as a member of the REIH in the FTAA negotiation process. Still, sooner than later, differences would emerge among these various sectoral associations and companies and as these divergences deepened, vital exporters associations left the CNE. Hence, this new organization lost representativeness when dealing with public officials and other private actors and would be finally dissolved. The SOFOFA would then absorb the CNE, regaining thus its traditional leadership role²¹⁹.

Apart from these cleavages and realignments, out of which SOFOFA was reinforced in its role as business interlocutor, business interests supported the FTAA process without full discarding a bilateral agreement with the United States. However, this strong interest in the FTAA was not shared by the SNA and the SONAPESCA, for whom the regional initiative was not a powerful multilateral mechanism for trade liberalization. As long as agricultural leaders viewed this process as slow and only leading to minor results in the liberalization of agriculture, the SNA would more actively favour a direct and constant participation in the bilateral agricultural commission established with the United States as a stepping stone towards a bilateral FTA with this country²²⁰. In a similar vein, SONAPESCA, did not find this regional project very attractive but did not present important objections to it either. Their participation was thus only minor²²¹.

Negotiations within the FTAA did not introduce major changes in the articulation patterns between public officials and business representatives. Articulation was based on formal and informal mechanisms, which in the case of the FTAA also included the regional arena. As domestic channels and mechanisms of dialogue and collaboration with the state were

²¹⁹ Interview with Cristóbal Valdés, former CNE President, available at http://www.cnc.cl/s_accion_0034.asp, accessed 20 May 2010.

²²⁰ Interview with trade expert, Santiago, 13 July 2009.

²²¹ Interview with business representative, Santiago, 22 July 2008.

already solid, for business actors the regional arena turned out to be a productive space for the construction of regional networks and establishing increasing liaisons with Northern partners. However, in contrast to the Argentina case where business actors were active participants in this regional forum, the presence of Chilean business representatives at the ABF has remained modest [Rojas Aravena & Pey 2003]. Business actors in Chile seemed to privilege bilateral relations, as shown by the increasing linkages they established with their counterparts in the United States through the American Chamber of Commerce (AmCham), who would then lead the US-Chile Free Trade Coalition composed of more than 250 companies and business organizations advocating a bilateral FTA²²². Contrariwise, for civil society actors, who were deprived of fluid and constant access to decision-makers at the domestic level, the regional arena offered access to these regional networks and alliances, which in turn were of more use for them.

The launch of trade negotiations ran parallel to two initiatives on behalf of civil society representatives. The first initiative was led by Corporación PARTICIPA, who after being a dynamic actor during the democratic transition, was then actively involved in promoting new agendas and international alliances. During the FTAA, its collaborative strategy activated a formalistic articulation with the Ministry of Foreign Affairs and the DIRECON, as shown by their role in the organization and coordination of the regional consultative process with CSOs that preceded the Santiago Summit and the follow-up consultations implemented for the III Summit of the Americas in Quebec in 2001.

On the outsiders' side, the launch of trade negotiations ran parallel to the I Summit of the People's, where Chilean CSOs gained momentum as host to this massive meeting which gathered over 2000 civil society representatives from the Americas. Led by the emerging HSA, the summit gave a prominent role to the Chilean Alliance for Fair, Ethic and Responsible Trade (ACJR, Alianza Chilena por un Comercio Justo, Ético y Responsable). The ACJR was also formed after democratic restoration, being their main concern the negative impact of trade liberalization. Thus, the ACJR became a strong advocate of the inclusion of environmental and social clauses in FTAs.

Already in 1998, a division between insiders and outsiders was established and in time, it would be deepened as a result of the different patterns of articulation developed with state

²²² Similarly, business representatives held high profiles in the Business Advisory Council (ABAC) of the APEC, which Chile had joined in 1994.

actors. As those under the axis of the HSA fragmented and reorganized around new cleavages, the ACJR gained new prominence and finally constituted the Chilean Chapter of the hemispheric alliance. Led by Coral Pey, this organization brought together academics, CSO representatives, and activists, and attempted to overcome the traditional division between NGOs and trade unions. Still, this was rather difficult to achieve because Chilean labour organizations resisted the idea of establishing a broader alliance with NGOs and social movements.

Labour representatives were already developing their capabilities and expertise in trade negotiations as they intended to become effective interlocutors of the government. Two factors seem to account for this new approach. In the first place, a department of international affairs was created to promote a learning-by-doing process and adapt the trade capabilities of the organization to the new government's policy. This was an initiative of Diego Olivares, who had just returned to Chile after being director at ORIT. Second, Olivares attempted to imbue the CUT with a new vision and a more pragmatic and realistic approach to the impact of trade agreements on labour. Thus, under his leadership, the CUT advanced and promoted the formulation of a more elaborated discourse on Chile's trade policy strategy, emphasizing that social and labour clauses should be instrumental to the country's sustainable development [Porras 2003]. However, and in terms of the internal configuration of power, this discourse faced the opposition of more radical and left-side forces within the labour organization. The modest results of this professionalization process the moment the FTAA was launched combined with the deficits in terms of institutional leadership as important differences persisted regarding their stance towards the government's trade liberalization strategy, would certainly difficult their role in the FTAA. This vacillation between a desire to participate and a total rejection of the FTAs hindered the elaboration of concrete proposals with a unified voice. In turn, this has hampered their role as counterparts of state actors when negotiating trade agreements. Under these circumstances, their articulation with labour unions across the region could be a useful strategy to enhance their abilities, resources, and voice to influence on a trade-led agenda. Nevertheless, important differences persisted.

In the context of active mobilization that surrounded the Summit of the Americas in Santiago, and contrary to what had been the original proposal of the American Federation of Labour-Congress of Industrial Organizations (AFL-CIO) and its Latin America affiliates

in the ORIT, the CUT rejected the idea of organizing a summit jointly with organizations under the HSA. Finally, the Summit of the People's ran parallel to a labor summit [von Bülow 2009]. The CUT's strategy could be the result of two different, though interrelated, factors. First, the more pragmatic approach the CUT had developed regarding trade agreements, which were seen as a way of reinforcing national labor regulations, and second, the close and long-standing ties with the Concertación, which were even strengthened during the negotiations with the United States. Even if trade unions under the CUT had overcome the traditional reactive attitude towards trade negotiations, the high specificity and technicality of the topics under discussion, certain deficits in its institutional leadership, together with the opposing views they sustained vis-à-vis other trade unions and social organizations, hampered their active involvement and participation in this trade negotiation process.

In the case of the ACJR, though sustaining a position contrary to the signature of FTAs and especially to the FTAA, the ACJR also participated in some of the invited spaces the government opened after 2000. Building on their own research on trade issues, the ACJR aspired to have an informed role in the trade policymaking process to promote the incorporation of social and environmental clauses in the FTAA agenda. Members of this organization held several meetings with public officials and negotiators, and were also invited to submit written presentations and proposals on FTAA topics. Combined with a boarding strategy on behalf of the state that entailed the opening of channels and mechanisms – though merely of an ad hoc nature – resulted in a cooptive public-private articulation. This contrasted with the active role and more collaborative strategy developed by other organizations, namely Corporación PARTICIPA.

After the launch of the FTAA negotiations, civil society actors felt they had the right to present their own points of view regarding this negotiation process and the trade liberalization strategy. The government implemented thus a new scheme to respond to this demand: meetings, seminars, and conferences were conducted to deliver information on the FTAA process but also to receive contributions and comments in an attempt to facilitate dialogue with more heterogeneous representatives of civil society groups. Procedures were designed as the negotiations proceeded and these were not integrated into a formal or institutionalized framework. Within this context, some of the civil society actors assumed a more executive role fulfilling the assigned tasks of the government to

comply with their domestic ideas of promoting transparency and democracy in decision-making process, while at the same time complying with a regional mandate raised by the Northern partners. Contrariwise, for the vast majority of CSOs it was rather complicated to find their way to dialogue and interrelation with state actors. As put by one of our interviewees, when they were summoned, the invitation was to agree on already decided agendas. Their participation was also hindered by lack of technical expertise to elaborate more coherent proposals to the extent that their contribution to the formulation of the national position was almost negligible. Still, articulation at the regional level allowed them for voicing their demands and proposals together with Northern counterparts²²³. Anyway, in the first case it is arguable to what extent this executive role entailed greater participation in the decision-making process, while in the second one, doubts abound regarding to what extent their demands were translated into the actual national position presented by the executive at the FTAA negotiation table, especially when these proposals came from the more outsiders groups who argued that *“another integration was possible”*.

b) Trade negotiations with the EU: from political dialogue and cooperation to trade

The relationship with the EU evolved and became progressively consolidated after democratic restoration in Chile. In the early 1990s, both parties started rebuilding their political liaisons while the commercial relationship was also intensified [Van Klaveren 2000]. In 1994, the EU formally invited Chile to deepen the three agendas underlying this relation: political dialogue, cooperation, and trade liberalization. Finally, two years later, Chile and the EU signed the Framework Cooperation Agreement – known as the Florence Agreement – with the objective of establishing a political and economic association. Negotiations towards a Chile-EU Association Agreement were then launched in the EU-Latin American Summit in Rio de Janeiro in 1999 during the Frei administration, but would then be part of the congested agenda Ricardo Lagos faced as he took office in March 2000. Initially the EU resisted bilateral negotiations and favoured a joint agreement with MERCOSUR and Chile as associated member, based on its role as active promoter of regionalism and regional integration in Latin America. Nevertheless, as the bi-regional

²²³ Interview with civil society representative, Santiago, 25 July 2008.

process began to loose pace, the EU acceded to a bilateral negotiation. The first negotiating round took place in Santiago in April 2000 and negotiations proceeded rather smoothly until the seventh round of negotiations in 2001 when conflictive issues arose, though these appear to have been rapidly solved as the Chile-EU Association Agreement was signed in November 2002. The agreement covers the main dimensions of bilateral relations, namely, political, trade and cooperation. In economic terms, it created a free trade area in goods, services and government procurement, liberalised investment and capital flows, and strengthened the protection of IPRs, going well beyond WTO commitments, while it foresaw further liberalization in agricultural goods and services as well.

Negotiations with the EU came at a time when state actors, mainly those in the DIRECON, had already developed strong capabilities in the negotiation of trade agreements. Still, these capabilities and skills would now be put to the test in a context of multiple and simultaneous negotiation arenas. These entailed new challenges and increasing efforts on behalf of the government. Even if trade responsibilities were already concentrated in the DIRECON, given the complexities of the agenda at stake, other ministries were consulted on specific issues; though these consultations were carried out on a rather informal basis and without any formal structure or scheme. Thus, for example, the negotiation of financial services was led by the joint coordination of the Ministry of Finance and the Central Bank. Regarding the articulation with non-state actors, the Committee for the Private Sector Participation, that used to bring together public officials, business and labour representatives and other non-state actors, was barely convoked during this negotiation.

From the point of view of business actors, this did not mean a rupture. Informal channels with the DIRECON and other public agencies persisted, and were even more actively pursued by public officials and negotiators. In doing so, the government would now have to interact with a business community, more professionalized and with increasing expertise and knowledge in the realm of trade negotiations. Moreover, business leaders were not on opposite sites now. Negotiations with the EU brought their interests and expectations very close as both parties intended to show the robustness and solvency of Chile's economic model and trade liberalization strategy by signing an FTA with the EU.

These reach-out strategies on behalf of the state were corresponded on the business side by the already established monthly meetings of the Commission of International Negotiations

and Exports within the SOFOFA, where business actors discussed on the evolution of the EU process with the DIRECON Director. More importantly, they were thus able to bring forward their own suggestions and proposals directly to the Director.

This was the negotiation where business representatives and the government were closest; and it was also the most difficult one. Moreover, a solid alliance was established even before negotiations were launched.

The EU decidedly privileged the negotiation of a trade agreement with Chile and MERCOSUR jointly. However, as Chilean actors acknowledged the difficulties MERCOSUR and the EU would face to come to an agreement, the government invited business actors to be part of a joint strategy intended to persuade EU leaders that Chile was a candidate for an FTA. *“This was an integrated public-private effort, with a clear objective: to differentiate Chile from the MERCOSUR and to capture the EU’s attention (...) and clearly, it worked”*²²⁴. In addition, and apart from being part of this “ambassadorial” task force, business actors were also invited to participate in an Advisory Council specially established for this negotiation within the ministry of Foreign Affairs. This Advisory Council, which met every two months, included the participation of political leaders – from the government and opposition – former ambassadors to EU countries, business representatives and relevant academics, who were invited based on their knowledge, expertise, and experience in Europe. This “wise council” worked as a forum for exchanging information on the progress of the negotiations and analyzing the agenda and trade offers and was intended to broaden the base of political support and consensus to further strengthen the government’s position in a negotiation that was considered as pivotal.

Negotiations with the EU generated great expectations and activated the participation of the private sector. In fact, the engagement of business actors in trade negotiations reached its peak during the negotiation with the EU to the extent that more than 30 people were involved in the last negotiating rounds. Some of the business organizations that assumed an active participation during these last rounds included not only the SOFOFA, but also ASEXMA and the CNE, together with other organizations directly involved in the most conflicting issues in the FTA agenda, as in the case of the wine industry²²⁵. These were met with enhanced capabilities and more interestingly still, consensus among business interests

²²⁴ Ídem.

²²⁵ Interview with public official (1), Santiago, 22 July 2008.

was strong. No sharp conflict emerged between agricultural interests under the SNA and those represented by SOFOFA. Unanimously, the private sector supported the FTA negotiations with the EU²²⁶, which were led by the SOFOFA.

The technical secretariat of the SOFOFA, now showing enhanced trade capabilities and expertise and institutional leadership, was responsible for coordinating the private sector offers and proposals and for reconciling eventual differences among sectoral interests to be able to speak with a unified voice in trade negotiations. This was even promoted by public officials and negotiators who encouraged business interests to resolve their internal differences in advance. Otherwise, conciliating interests would have rested in the hands of government officials and this would have further complicated their own task at elaborating the national position²²⁷. Even if this was the prevailing pattern of interest organization and articulation within the private sector and with the government, in some cases, those in disagreement with the common position on a particular trade negotiation could access the negotiators and public officials within then DIRECON directly to raise their own sectoral concerns.

Trade negotiations had traditionally been tensioned by differences between the SOFOFA and the SNA. In the case of the EU, even if general consensus followed the launch of these negotiations, still some differences emerged regarding particular sectoral associations who assumed a more vocal attitude to promote their own particular agendas, as was the case with the SNA and SONAPESCA. However, and contrariwise to what had been the experience during the negotiations with MERCOSUR and China when this collision reached its peak, these differences did not generate conflicting or opposing groups. Hence, it did not impact on the strategic alliance and the deep and strong conviction that an agreement with the EU was crucial for the private sector's interests and for Chile. Sectoral organizations, and more prominently the SNA had also undergone important transformations in its institutional leadership and capabilities.

The SNA had initiated in 1995, just when the negotiations with MERCOSUR were almost completed, a deep process of transformation to develop its own institutional capabilities. On the one hand, the SNA had finally achieved the representation of the whole sector and

²²⁶ Interview with business representative (1), Santiago, 23 July 2008.

²²⁷ Interview with former public official, Santiago, 25 July 2008, and with public official (1), Santiago, 22 July 2008.

managed to overcome the heavy atomization of agricultural interests. On the other, the association was committed to developing their knowledge and expertise to deal effectively with trade negotiations. In this sense, the experience of MERCOSUR constituted a turning point. The SNA became aware of its limited expertise in trade issues and more importantly, regarding its political weight: *“The SNA decided that they could not let any other FTA negotiation pass them by without being involved, and since then I actively participated in the negotiations with the United States, the EU...”*²²⁸. The SNA created a department in charge of providing professional and technical support in the elaboration of the sector’s position in trade negotiations. Apart from the technical work this new collaborative strategy involved, the SNA established a working relationship with the Agrarian Research and Policy Office (ODEPA, Oficina de Estudios y Políticas Agrarias). Rather than a political task, this was mainly a technical undertaking intended to build consensus and a common position within the agricultural sector, on the one hand, and to gain leverage vis-à-vis other sectors, such as the agro-industrialists under the SOFOFA, on the other²²⁹.

SONAPESCA was also very vocal and expressed its concerns regarding the EU proposal to achieve access to Chilean maritime zones for EU fishing boats. These concerns were channelled directly to public officials and negotiators but also through SOFOFA and even the media²³⁰. SONAPESCA representatives argued that even if the government was determined to sign the FTA with the EU, *“finally common sense prevailed, and an FTA was signed, but not a fishing agreement”*²³¹. Contrariwise, analysts have shown that in fact, there was no sign that the Chilean government intended to establish such an agreement despite Portugal’s and Spain’s interest in doing so²³².

The strategy developed by these two sectors was not because of deep discrepancies with the SOFOFA, but rather the result of their interest in defending and promoting their own sectoral concerns in an agreement with the EU, which had also argued from the very start that the FTA largely depended on these particular sectors [Gamboa 2008].

²²⁸ Interview with trade expert, Santiago, 13 July 2009.

²²⁹ Ídem.

²³⁰ Interview with business representative, Santiago, 22 July 2008.

²³¹ Ídem.

²³² Interview with academic, Santiago, 23 July 2008.

In sum, the launch of trade negotiations with the EU was met on behalf of the state with the interest in further promoting coordination and leadership in the hands of the DIRECON. Being now the leading actor in trade negotiations, the DIRECON and its highly professionalized staff sought greater articulation with business actors. Formal mechanisms were now more actively complemented with informal and ad hoc channels. A business leadership undergoing a significant process of renovation and modernization, together with greater expertise in trade negotiations and the strong conviction that an FTA with the EU was crucial made of this negotiation a space of consensus and joint public and private efforts, deepening thus a public-business articulation that had already grown and consolidated.

During the negotiation with the EU, the articulation between state and business representatives was characterized by constant and fluid communication based on mutual trust and more importantly, on knowledge and information. By then, and after almost 10 years of continuous trade negotiations, a working relationship had emerged between the DIRECON and business actors, based on expertise, learning, and information exchange, but equally important on mutual trust and very close terms [Bull 2008]. This stood in sharp contrast to the relation with trade unions and civil society actors. As in the case of the FTAA, their engagement with this negotiation process came at a much later stage.

Despite the regional acknowledgement of the importance of civil society input in the trade negotiation process²³³, the opening of channels and mechanisms to allow for the participation of these actors at the domestic level would only become effective in the early 2000 given the Lagos administration's commitment to the civil society participation in the decision-making process. The Presidential Guidelines on Citizen Participation included some interesting suggestions, namely, celebrating consultative seminars with civil society representatives to discuss the foreign relations agenda at least once a year and incorporating civil society representatives in the presidential delegations to other countries. As put by a public official, by the beginning of 2000, the government was convinced that for a small country having a totally open economy, the most sensible strategy was to negotiate with the support of civil society. This support would not only grant legitimacy to policy decisions,

²³³ First Meeting of the European Union-Chile Negotiations Committee, Conclusions, available at http://ec.europa.eu/external_relations/chile/assoc_agr/nc1.pdf, accessed 11 May 2010.

but would also be fundamental when dealing with asymmetric partners, namely the EU and the United States²³⁴.

As explained in the previous section, by the end of the 1990s the CUT had undergone important changes regarding their institutional capabilities, though still faced some difficulties in terms of its ability to conciliate the existing differences across factions in the labour organization, especially in terms of the relation between FTAs and labour rights. While the leading faction commanded by Diego Olivares sustained a rather pragmatic approach, emphasizing social and labour clauses could be instrumental to the country's sustainable development; more radical and left-side forces within the CUT would oppose such a strategy. However, when analyzing the discourse of the CUT leaders, it is clear that even if they acknowledged that in economic terms the negotiation agenda with the EU did not differ substantially from the one with the United States, for example, a more general positive attitude towards the European bloc and its approach to social and labour policies could be observed. In fact, the CUT leadership had maintained close contacts with labour unions in Spain and valued positively the role they had in the European regional integration process. In time, and as negotiations advanced, the relation between the CUT and public officials and trade diplomats would become closer. Moreover, and for the first time, a CUT representative was invited to participate in the room next door during the last rounds of negotiations, inaugurating thus an already extended practice with business actors dating back to the first negotiation with MERCOSUR. The selective incentive offered by the inclusion of labour representatives in the negotiation process was too weak to allow the CUT to speak with one voice offering a unified front regarding an FTA with the EU. Internal differences and fragmentation would still persist in 2002. While Diego Olivares showed his support for the EU-Chile FTA, the CUT argued that the labour organization did not favour the agreement and that it did not back the government either²³⁵. Finally, in 2004, Olivares left the CUT and founded the UNT.

A similar positive attitude towards the EU could also be observed among civil society actors. Based on the regional and domestic commitment to promote the participation of these actors in the trade policymaking process, the DIRECON organized several seminars

²³⁴ Interview with public official (2), Santiago, 22 July 2008.

²³⁵ See "Malestar en la CUT por respaldo de uno de sus dirigentes al acuerdo con la UE", *Nacional*, 20 May 2002.

to promote information dissemination but also dialogue and discussion between DIRECON officials and CSOs representatives, including environmentalists and academics, among others. Still, and as recalled by a former public official, dialogue with these actors was hampered by their rather radical stance and opposition to FTAs, which contrasted with what he characterized as a more conciliatory approach on behalf of trade unions²³⁶. In any case, the negotiations with the EU did not spur strong opposition strategies or public demonstrations as in the case of the FTAA.

Several activities were thus developed to promote articulation with trade unions and civil society representatives, though these entailed only a pattern of limited inclusion. The low level of formality and institutionalization attached to the dialogue and articulation contrasted with that between state actors and business representatives, who could also rely on informal channels and mechanisms. Combined with a collaborative strategy on behalf of civil society representatives, this inclusion led to a formalistic public-private articulation: formal mechanisms were established though these were fragmented and ad hoc, while informality was not as common as the one impregnating the relation with business actors.

Table 7.2. Asymmetric or North-South trade negotiations in Chile

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
FTAA	<i>Business</i>	Extended inclusion	Collaborative: ASEXMA, CCS, CES, CNE	Cooperative
	<i>Civil society</i>	Limited inclusion	Collaborative: Corporación Participa, Competitive: ACJR, CUT	Formalistic Cooptive
UE	<i>Business</i>	Extended inclusion	Collaborative: ASEXMA, CNE, SOFOFA, SNA, SONAPESCA,	Cooperative
	<i>Civil society</i>	Limited inclusion	Collaborative: CUT; NGOs	Formalistic

Source: The author.

²³⁶ Interview with former public official, Santiago, 25 July 2008.

7.3. Multilateral trade negotiations under the WTO

Multilateral trade negotiations were also a substantial part of the Concertación's trade strategy and together with bilateral and plurilateral agreements, were intended to complement the process of unilateral liberalization. While in the case of regional trade agreements, differences emerged regarding which partners should be prioritized, especially in the early 1990s, multilateral liberalization through the WTO was convincingly supported by all three administrations. Not being a member of this multilateral forum was simply not a feasible option for the new democratic governments.

Actively involved in the UR negotiations, after the creation of the WTO, this new forum appeared as crucial for Chile's trade liberalization strategy. In fact, as in the case of bilateral and plurilateral trade agreements, participation at the WTO was intended to deepen its economic openness while at the same time reinserting the country in the international concert. Later on, however, Chile's interest in this multilateral forum made a slight turn as emphasis was now more prominently placed on the WTO as a rule and norm setter: *"The WTO is not useful for achieving greater market access (...). Basically, we see the WTO as a forum for the creation of rules"*²³⁷.

There were two agendas in which Chile was actively involved: agriculture, where progress at the multilateral level has not met this country's expectations regarding access to markets – a deception shared by most developing countries – and services. Still, and as long as belief was that liberalization of agricultural products would not make progress at the bilateral level unless there was no consensus at the multilateral forum, Chile was interested in promoting greater access to markets for these products. Despite this shortcoming and other deficits in multilateral commitments, the country prioritized the deepening and strengthening of multilateral trade rules and was hence part of several WTO committees, including the one on safeguards²³⁸. From the government perspective, multilateral rules related to trade defence mechanisms were important to protect a small economy like Chile from arbitrary rulings.

Accordingly, when preparing the III WTO Ministerial in Seattle 1999, Chile's proposals focused on further liberalization in trade in agriculture and services, on the one hand, and

²³⁷ Interview with public official, Santiago, 21 July 2008.

²³⁸ Ídem.

on stricter disciplines in antidumping and safeguards and a more effective dispute settlement mechanism, on the other²³⁹. From an institutional dimension, Chile considered that it was necessary to open channels – both at the domestic and international level – to allow for the participation of civil society actors and promote a constructive dialogue with state officials²⁴⁰. During this meeting, Chile’s representative coordinated a discussion group to work on this initiative²⁴¹.

As long as multilateral negotiations have a longer horizon and a more uncertain outcome, government found it difficult to capture the attention and interest of business actors. As put by one of our interviewees: *“When we were in the DIRECON, we organized a good number of seminars to discuss and explain what was going on at the WTO (...) but I would not say that the private sector is attentive to the events in Geneva, unlike United States or European business actors”*²⁴². Viewed as distant and having no immediate impact on their interests and activities, business actors were less prone to participate in negotiations under the auspices of the WTO. In addition and when compared to bilateral FTAs, the rhythm of multilateral liberalization has always been slower than Chile’s liberalization *tempo*²⁴³. Finally, the tariff levels in Chile’s WTO scheduled consolidation was well above their average tariff to the extent that business actors did not feel menaced by Chile’s eventual commitments at the WTO²⁴⁴. Therefore, Chilean business actors have shown only marginal interest in WTO negotiations and commitments. In time, this has combined with the discredit that delays and disagreements in the Doha Round have brought on the multilateral organization.

Even if business actors acted less enthusiastically at the WTO arena, the SOFOFA has tried to keep up with the more recent developments at the multilateral level. In fact, already in 1995, the SOFOFA hired an expert on the WTO from the DIRECON. Since then, the organization enhanced its technical capabilities in areas as those related to dumping actions

²³⁹ See “Chile postulará avanzar en apertura comercial”, El Mercurio online, Economía y Negocios, 22 November 1999.

²⁴⁰ For further details on Chile’s proposals during this Ministerial Meeting, see Statement by H.E. Mr. Juan Gabriel Valdés, Minister of Foreign Affairs, available at http://www.wto.org/english/thewto_e/minist_e/min99_e/english/state_e/d5253e.pdf, accessed 29 May 2010.

²⁴¹ See “Protestas y problemas de seguridad al inicio de la reunión: OMC lanza hoy la ronda del milenio”, El Mercurio Online, Economía y Negocios, 30 November 1999.

²⁴² Interview with public official, Santiago, 21 July 2008.

²⁴³ Interview with public official (2), Santiago, 22 July 2008.

²⁴⁴ Interview with public official, Santiago, 21 July 2008.

and the dispute settlement mechanism. Moreover, and in an attempt to generate a spill-over effect among its associates, the SOFOFA offered advice and consultancy on these issues to its member associates as leaders perceived that businessmen were not fully aware or informed of the results of the UR and the new Doha Round. In addition, the SOFOFA has been in direct contact with DIRECON officials through the Commission of International Negotiations and Exports. Apart from the scheduled meetings, gatherings could also be convoked by the DIRECON to discuss the evolution of the multilateral trade agenda as when the Doha Round was launched in 2001. However, and just as argued by public officials, SOFOFA leaders have found it difficult to capture the attention of its associates²⁴⁵.

This stance towards the WTO is illustrated by ASEXMA, one of the second-degree organizations under the umbrella of the SOFOFA. For exporting SMEs under the ASEXMA, negotiations at the WTO and at the Doha Round, have not been a priority. Building on the idea that these negotiations are *“not a concrete reality impinging on them”*, the association has not worked on these multilateral agendas. Their expertise and capabilities in this area are thus rather limited, in contrast to their extended participation in FTAs and their early commitment to free trade. This lack of interest together with the fact that they have not been consulted – either on a technical basis or in the elaboration of the national position – accounted for the negligible interaction with DIRECON and the Multilateral Director. When it came to the WTO and the Doha Round, interaction with public officials and trade diplomats has mainly revolved around the seminars organized by this public agency to provide business actors with details and information on the evolution of the Doha Round²⁴⁶. However, the WTO had a concrete impact on ASEXMA: by 2003, and in order to comply with multilateral rules, the Chilean government had to dismantle the existing promotion mechanism for industrial export activities²⁴⁷.

As we have already explained, Chile was actively involved in the liberalization of agriculture and services. While at the state level, the governmental strategy included the creation of a trade policy branch in ODEPA, reinforcing thus its role in trade negotiations, regarding the articulation with sectoral organizations, namely, the SNA, the empirical evidence suggests

²⁴⁵ Interview with business representative (3), Santiago, 23 July 2008.

²⁴⁶ Interview with business representative, Santiago, 24 July 2008.

²⁴⁷ See “Presupuesto no incluiría US\$ 20 millones para el sector: ASEXMA reclamó incumplimiento de compromisos del gobierno”, El Mercurio Online, Economía y Negocios, 27 October 1999.

that a cooperative relation emerged with this organization. The negotiation with MERCOSUR constituted a turning point for this organization. Since then, it undertook an important process of institutional and capacity building. Under the lead of Gustavo Rojas, a technical department was created to provide support in the elaboration of the association's strategy. This collaborative approach towards ODEPA and DIRECON entailed frequent consultations and the assistance of SNA's experts at different WTO meetings. Still, the articulation with the SNA would show vicissitudes due to the institutional changes and political reshuffles the organization underwent, which in turn impact on its trade capabilities.

When it comes to sectoral organizations in the area of services, another prominent issue in Chile's agenda at the WTO, public officials found that the private sector was not well prepared to deal with this agenda. They had difficulties to understand the scope of the trade commitments in this area, where Chile has often gone beyond WTO commitments under the GATS and had assumed a rather passive stance²⁴⁸.

The invitation to the DIRECON seminars and conferences on the evolution of events at the WTO Doha Round was extended to civil society actors. Still, and as in the case of business actors, public officials and trade diplomats were not able to promote a concrete interest in the WTO²⁴⁹. Lack of interest in multilateral negotiations remained remarkably homogeneous among most business and civil society representatives. However, in contrast to this negligible presence at the domestic level, Chilean CSOs – as in the case of consumers' organizations – participated in WTO debates not directly but through umbrella organizations and networks. With a base in Northern countries, these organizations and networks provided their Southern counterparts fundamental resources, namely information and access to specialized and technical knowledge that CSOs in the South lacked. More importantly, being part of these networks allowed the latter to be present in regional and international fora, as in the case of the WTO. Otherwise, they would not have a say in multilateral trade negotiations. Interestingly, this appeared to be common to labour unions and consumers' organizations. In the case of labour representatives, the UNT was part of the ITUC, whose main objective was to promote and defend workers' rights and interests

²⁴⁸ Interview with public official, Santiago, 21 July 2008.

²⁴⁹ Interview with public official (2), Santiago, 22 July 2008.

through international cooperation between trade unions and advocacy within the most important international institutions, including the WTO²⁵⁰.

In sum, in the case of multilateral trade negotiations and the launch of the Doha Round, as the government's agenda now focused on some of the so-called new issues, public officials, and trade diplomats found it increasingly difficult to rely on the private sector as providers of these highly technical inputs, with the only exception of the SNA. Business actors have more prominently become specialized in FTAs, where their active involvement contrasts with their limited engagement at the multilateral level. While this specialized information and expertise seemed to escape CSOs as well, regional and international networks worked as a palliative. However, and regarding the political opportunity structures offered by state actors, these seem to have relied on a pattern of extended inclusion for business actors, whereas that to civil society actors have been based on mechanisms and channels of a more informative nature, leading thus to a process of limited inclusion, as shown in Table 7.3.

Table 7.3. Multilateral trade negotiations under the WTO in Chile

		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
Doha Round	<i>Business</i>	Extended inclusion	Collaborative: SNA and SOFOFA	Cooperative
	<i>Civil society</i>	Limited inclusion	Collaborative: trade unions, NGOs	Formalistic

Source: The author.

²⁵⁰ Interview with trade union representative, Santiago, 14 July 2009.

CHAPTER 8

TRADE GOVERNANCE IN COMPARATIVE PERSPECTIVE

The previous chapters have traced and situated public-private articulations in specific trade negotiations in two countries. The objective of this chapter is to move beyond this analytical narrative and examine how preferences, strategies, and institutions have varied across symmetrical, asymmetrical, and multilateral trade negotiations in Argentina and Chile. In addition, the chapter will assess the value of the specific elements that account for these variations in the public-private articulations. Which is the role of domestic and international variables in explaining these political dynamics?

While the theoretical implications of these comparative findings will be discussed in the final chapter of this dissertation, we now summarize the comparison across negotiations. The analysis proceeds in three steps. First, and according to the more general hypothesis guiding this research, the comparative analysis is intended to capture whether different trade negotiations – regional (symmetrical and asymmetrical) and multilateral – promote diverse patterns of interest definition and articulation at the domestic level. Furthermore, the aim is to see to what extent asymmetric or North-South trade negotiations have led to more variegated patterns of domestic governance.

This research was designed to contribute a cross-negotiation perspective to the literature on trade governance. To our knowledge, studies have not focused on the variation in the processes of interest definition and articulation across symmetric, asymmetric, and multilateral trade negotiations. Our research design thus advances by controlling the cross-national variation to capture the differential impact of trade negotiations on domestic governance. Rather than as explanatory variable, the national dimension is mainly assumed as control. This means that variation can be apprehended by lineally looking into the patterns of interest definition and articulation elicited by these different types of trade negotiations. However, the differences in the impact on domestic governance can also be appreciated by exploring the similarities and variations across countries in the context of various trade negotiations, being in this case similarities explained by the particular negotiation the country faces.

Second, and based on the idea that national-level characteristics exert a major impact on the politics of trade, we delve into the cross-national variations and similarities of public-private articulations. Focus is thus placed on the weight of political legacy and path conditioning to see how previous trodden paths help us account for the particular pattern of interest definition and articulation between state and non-state actors in the context of trade negotiations. Although cross-national differences, as logically expected, do emerge, these provide control for the distinctions observed across negotiations.

Finally, and taking comparative and international political economy as complementary tools of analysis, we present an assessment of the role of international factors vis-à-vis domestic variables in the configuration of public-private articulations in the context of trade negotiations.

8.1. Comparison across trade negotiations

Analyzing the differential impact that these three types of trade negotiations have on the domestic interest structure requires looking into the different ways in which actors define their interests, motivations, and strategies when faced with the launching of particular trade negotiations. The variance in trade negotiations contextualizes these interactions and articulations to account for their orientation and reorientation in terms of the various agendas at play. At the same time, comparison across countries is expected to show similarities and diversities. To the extent that national-level characteristics have an important impact on the final articulation between states and non-state actors, we expect to find great diversity and variation in these articulation patterns. However, at the same time, we may find evidence of strong similarities in the domestic interest structure across countries. This will allow us to examine the conditions of the particular trade agendas at play that promote these similar patterns of interest definition and articulation. As explained, the cross-national analysis provides control for the differences observed across trade negotiations with regard to domestic trade governance.

Based on our analytical framework, when looking across negotiations, the comparative analysis revolves around three axes: the incentives for state actors to grant access to the decision-making process and the political opportunity structure these yield, the interests and strategies of non-state actors, and the resulting pattern of public-private articulation.

The analytical framework focuses on the institutional supply provided by state actors, and how this affects the strategies of non-state actors.

Trade negotiations impose different challenges on state actors. In the first place, these agendas demand greater levels of coordination among public agencies responsible for trade policy. Second, and even central in terms of our analytical framework, are the specific needs or deficits that the state must cover to adapt its capabilities to these trade negotiations, which mainly refer to the need to count on acute and precise information and technical expertise, on the one hand, and the need to build its legitimacy, on the other. To reduce these vulnerabilities and enhance their effectiveness, state actors will promote particular mechanisms to allow for the participation of those non-state actors capable of providing these resources. Given that these mechanisms will differ according to the specific perceived vulnerabilities, these will promote different political opportunity structures.

Taken as the specific constellations of institutional resources and mechanisms of access to the decision-making process available to non-state actors, the political opportunity structure oscillates between extended and limited inclusion. In a context of extended inclusion, non-state actors rely on multiple access points, including formal and informal mechanisms, which are also stable and timely as non-state actors can contribute to setting the agenda. On the contrary, limited inclusion entails restricted access points, of an ad hoc nature, and which are mostly intended to discuss already established agendas. The institutional supply, that is to say, the particular political opportunity structure, is crucial because it shapes the strategies of non-state actors interested in participating in trade negotiations. However, the demand side is equally important since the ways in which non-state actors define their strategy will give way to different public-private articulations.

In a context of extended inclusion, those non-state actors capable of providing technical information and expertise and interested in having a role in the negotiation process will develop a collaborative strategy, which in turn will evolve into a cooperative public-private articulation. Within this same context, when non-state actors fail to produce well-informed proposals either because they prioritize the defence of narrow and sectoral interests or because they lack these informational resources, they will opt for a competitive strategy, leading thus to a pressure public-private articulation.

Perceived legitimacy vulnerabilities will prompt state actors to seek out a wide range of non-state actors, though in a rather fragmented and ad hoc manner. Combined with a

collaborative strategy on behalf of non-state actors who opt for a participatory strategy despite the limited political opportunity structure, a formalistic articulation between state and non-state actors will emerge. When confronted with a more competitive strategy based on diffuse ideas on the societal demand side, this political opportunity structure will lead to a cooptive public-private articulation where non-state actors are given some voice in order to temper their potential for disturbance. While in the formalistic articulation both state and non-state actors attempt to build some kind of consensus, in the cooptive articulation both parties acknowledge that consensus, and even dialogue, is almost impossible because of irreconcilable differences.

We now return to the different trade negotiations examined along Chapters 6 and 7 and present a comparative analysis of the public-private articulations that emerged at the intersection of the institutional supply and the societal demand ushered by these negotiation scenarios.

a) Symmetric or South-South regional trade negotiations

When analysing the impact of symmetric or South-South trade negotiations in Argentina and Chile, the focus has been mainly in those agreements where the primary emphasis has been on gaining market access rather than pushing for rulemaking around the new trade agenda, namely services, investment, government procurement, and IPRs. This pattern, which is valid both for the agreements signed in the early 1990s and those pursued a decade later with China and India, seemed to have been superseded by the later negotiations – also with developing countries – intended to deepen trade relations by promoting other areas as in the case of services. Leaving the negotiation of these agreements out of our operationalization was fundamental to assure comparability.

Based on the analysis of the selected symmetric or South-South agreements, particular patterns of interest definition and articulation between state and non-state actors have been identified.

In the first place, and regarding state actors, these negotiations stemmed from the governments' clear vocation towards Latin America, which would be later on complemented with the expansion of the established FTA networks and the effective renewal of South-South relations in the 21st century. In principle, and based on this

commitment, when differences emerged regarding the priorities of public agencies, which could be reinforced in the absence of concrete mechanisms for promoting coordination, Presidents played a fundamental role in hitting the balance among discrepant state actors. To some extent, thus, political will was central, being this especially marked during the early 1990s.

Dealing with these symmetric trade negotiations did not seem to impose acute requirements on state actors regarding their legitimacy or their technical capabilities and requirements. According to our empirical evidence, these early South-South negotiations did offer special incentives for state actors to build on their institutional capabilities by promoting the inclusion of a wide range of non-state actors. When institutional developments were made, these were not directly related to the negotiation itself. Actually, these were mostly linked to the need to adapt institutional structures and decision-making processes to the democratic canon. State actors had hence to lead a quick and intensive process of learning-by-doing to deal with this new phase of trade liberalization but also to adapt decision-making processes to the recent democratization of domestic political regimes, as shown by the Chilean experience of negotiating with Mexico and MERCOSUR.

Regarding the articulation with non-state actors, we argue that while a process of *extended* inclusion was promoted for the private sector, in the case of other civil society actors only those capable of offering technical information were more intensely consulted though through a process of *limited* inclusion.

In the case of the private sector, even when formal mechanisms were in place – as in the case of the CACE in Argentina or the Business Advisory Mechanism in Chile – consultations with business actors would also rely on informal channels and ad hoc procedures. This is given by the particular characteristics of these negotiations: in most of the cases analyzed, the agenda was still limited to the exchange of tariff concessions. The dynamic of the articulation between state actors and business interests mainly revolved around the elaboration of product lists, with no need to discuss deep technical issues usually involved in the liberalization of trade in services or the regulation of IPRs, for instance. The sectoral character of these agreements demanded the more traditional, ad hoc consultations with sectoral business associations to the extent that the participation of second or third grade organizations was rather limited. Being these, the usual players within existing formal mechanisms, when negotiating South-South agreements involving a limited

and sectoral-detailed agenda, sectoral associations and even individual companies gained prominence. In sum, even in those cases where state actors had made a move towards formalizing the articulation with business actors, informality still prevailed. Informal channels and mechanisms turned out to be fundamental to be informed of particular sectoral demands and prerequisites.

Second, within this political opportunity structure, business interests threatened by future imports would more prominently seek protection and ad hoc measures to offset the effects of trade liberalization. Others could even take an extreme position and demand exclusion from the scope of the agreement. Hence, based on a competitive strategy, a *pressure* public-private articulation most frequently emerged.

The deployment of a collaborative strategy was confined to a small group of actors who, based on their economic weight, institutional leadership and technical capabilities, gave support to the agreement. Those private actors – namely, multinational and large firms – already immersed in increased commercial interactions with the negotiating partners would support the agreement as they intended to consolidate and expand their market access opportunities. This collaborative strategy was even reinforced in the case of business actors capable of representing their sector and reconciling the different underlying positions at the domestic level but also with their regional partners, as shown by the various initiatives led by the CIQyP. In brief, the emergence of a *cooperative* public-private articulation was based on the affinity of economic interests with the government and across different business actors, and on the provision of sectoral information and technical reports. However, this was limited to a small number of business actors.

Across the South-South negotiations analyzed, a particular case deserves special attention: the definition of agricultural interests under the SNA and the strategy thus deployed during the negotiations between Chile and MERCOSUR. In what turns out to be an exception in terms of business interests and strategies, at least within this study, the SNA assumed a rather radical and outsider stance. Even if formal – but also informal – mechanisms were in place, the agricultural association did not only ask for the exclusion of the sector in the agreement. SNA leaders rejected participating within the established channels for dialogue and articulation with state actors and advocated a more anti-establishment strategy as “outsiders”. Critical of the economic integration with MERCOSUR, the SNA opted for exercising external pressure through the media and mass mobilizations. Based on an

“outsider” competitive strategy, a *cooptive* public-private articulation emerged; though this seemed to be the exception rather than the rule.

Third, and when it comes to trade unions and CSOs, we found that their real participation was negligible, being this confined to “invited” institutional arrangements, which were scarce and did not promote the engagement of a wide variety of civil society actors in the open discussion of the negotiation agenda. Informal access to public officials and trade diplomats at the national level also remained low. These institutional barriers configured a pattern of *limited* inclusion. Apart from these obstacles in the institutional offer, when looking at the demand side, South-South trade negotiations did not seem to activate the demand of a wide range of societal interests willing to partake in these processes. Given that the primary focus of South-South negotiations was on market access, leaving out regulatory issues, they excited only limited interest on the part of trade unions and NGOs. Moreover, rather than fearing these agreements would impose “foreign” standards and regulations, they expected regional integration to enhance and strengthen social and environmental rules. Hence, trade unions and NGOs – mainly, consumers and environmental organizations – opted for a non-competitive strategy towards state actors. Despite the restrictive character of the institutional offer, these actors developed a *collaborative* strategy, as they believed these negotiations would promote social and labour norms.

Interestingly, even when social actors feared the negative impact of free trade on labour standards, as in the case of the FTA between Chile and China, rather than opposing and assuming a radical, outsider strategy, they presented their demands to the governments within the limited channels available following a collaborative strategy. In this sense, negotiating with China introduced an important novelty not so much because of the economic agenda, which was still limited to market access, but mainly because of the Chinese domestic labour regulations and the protection of human rights. Trade unions – the CUT and the UNT – feared the agreement could negatively affect workers’ interests given the low labour standards in China. Still, rather than rejecting the negotiation process, their demands focused on the incorporation of labour issues in the final agreement²⁵¹.

²⁵¹ Acknowledging these demands, the Chile-China regional trade agreement includes a Memorandum of Understanding on Labour Cooperation and Social Security and an agreement on environmental cooperation based on Article 108 of the FTA, signed in 2005 and 2007, respectively.

Finally, it is worth noting that during the early 1990s, this scarce demand for inclusion and influence in trade negotiations was reinforced by particular pressing domestic variables, including the reorganization of actors in the aftermath of dictatorship or in the context of deep structural reforms.

b) Asymmetric or North-South regional trade negotiations

By the end of the 1990s, asymmetric or North-South negotiations would finally burst onto scene. Within the Southern Cone, the launch of the FTAA and the negotiation process with the EU reshaped the regional political economy, transforming the North-South architecture in the process. How did these restructuring forces impact on domestic trade governance?

First, and regarding state actors, these negotiations appeared as demanding processes requiring institutional leadership and enhanced trade capabilities to face the wide variety of issues at stake, which ranged from the more traditional trade agenda to investments, services, government procurement, and IPRs, among others²⁵².

Dealing with these diversified agendas required mechanisms for coordination and information sharing, on the one hand, and more detailed knowledge and technical information, on the other. Thus, in practice, asymmetric trade negotiations have more decisively triggered regular exchanges among public agencies through informal coordination procedures, which, in some cases, served as complement to the more formal mechanisms already in place.

Gathering specialized information was also the underlying aim of the articulation with non-state actors, though this *anchoring* strategy was intended to widen the government's base of political support at the negotiation table as well. Accordingly, special mechanisms were devised to achieve consensus and channel the opinion and expertise of a larger number of non-state actors, as in the case of the Advisory Council set in Chile.

Still, when looking into the non-state actors the state approached in order to make up for these deficits just after the negotiations were launched, empirical evidence suggests that

²⁵² Even if in the negotiations between the EU and MERCOSUR the agenda was much more reduced in economic terms, but more ample in political issues, the liberalization of trade in services and investments was also included, though as non-trade issues [Botto & Bianculli 2009a].

there were still marked differences regarding the political opportunity structure devised for the different social groups.

State actors most actively sought the support and active engagement of business representatives both by formal and informal mechanisms. Even in those countries where public officials and trade diplomats were better trained and more numerous as in the case of Chile, governments constantly attempted to integrate business input to reinforce the national position in these increasingly complex negotiations. This anchoring strategy led to a process of *extended* inclusion of business actors immediately after the launch of trade negotiations and even during the preparatory phase. This contrasted to the perceived reticence to extend this same political opportunity structure to trade unions and CSOs representatives, which remained thus within the parameters of *limited* inclusion. Once again and given these varying political opportunity structures, different patterns of public-private articulation emerged.

This takes us, in the second place, to the preeminent role of business actors in asymmetric trade negotiations. This leading role was given by the fundamental importance of technical knowledge in trade negotiations, which became even more pressing in North-South negotiations where public officials and trade diplomats in developing countries had to face better-equipped and more solid counterparts.

Asymmetric trade negotiations brought to light the learning process, parts of the business community were already embarked on. To a certain extent, this learning process was initially triggered by the acknowledgement of business actors that in view of the congested trade agenda and the government's commitment to it, they were to develop their capabilities further if they intended to have a leading and effective role in these processes. By the time negotiations within the FTAA and those with the EU were launched, leading sectors in Argentina and Chile had been involved in previous negotiations and have thus, established important links and networks with regional and extra-regional counterparts and specialized organizations. While in the case of Chile these included close articulations with the AmCham and the ABAC, in Argentina the earlier articulation of the APLA already in the mid-1980s laid the basis for a close working relationship between the chemical and petrochemical sector and state actors.

However, this learning process would be deepened in the context of North-South negotiations as these involved issues that so far had remained largely out of the scope of

symmetric negotiation processes, and which required enhanced technical expertise. Whereas business sectors already in the process of organizational learning and change would intensify even further these developments, those actors that had so far remained slightly involved in these new trade dynamics because of their protectionist stance, would now show a stronger interest in participating on a well-informed basis. Clearly, the distribution of technical capabilities and expertise across actors was still markedly heterogeneous.

On the one hand, large business associations – as for example, the SOFOFA, the SNA and the CIQyP – were already showing enhanced technical and negotiating capabilities as a result of the extensive learning process through which they were able to improve and refine their information and expertise, but also because of their active implication in networks and in previous negotiation processes. To a certain extent, both elements reinforced each other so that the *collaborative* strategy between state and business actors would in time consolidate as a close working relationship based on the mutual exchange of information and reciprocal learning, as shown for example, by the alliance established between the Chilean government and the SOFOFA during the negotiations with the EU.

On the other hand, important parts of the business community were only then starting such a learning process as they intended to face the challenges and demands of these asymmetric trade negotiations. Actually, one of the novelties of these negotiations was the upsurge in business interest, which turned out to be more marked in those countries where the transformation to trade liberalization had been more recent, as in the case of Argentina. In this context, the launch of North-South negotiations led to the activation of a large number of economic sectors, even of those that so far had not shown great interest in these regional and international trade dynamics. Based on this increased interest, business actors took the initiative and pursued constant contacts and interactions with public officials and negotiators. Apart from the traditional consultations on the part of governments, private actors actively solicited participation as they intended to make use of all possible mechanisms to press their governments to comply with their sectoral demands, on either a free trade or a protectionist basis. This means that even if a *collaborative* strategy prevailed, this coexisted with the traditional *pressure* strategy of those sectors seeking protection and compensation measures.

Apart from promoting greater collaboration with state actors, North-South negotiations also triggered changes in the definition and realignment of business interests. In contexts of more acute fragmentation among business interests, some interesting cases of collaboration and consensus building emerged as shown by the CAC and CAMARCO's joint document or the experience of the MEBF. Second, the importance of the new trade issues in the negotiation agenda gave new prominence to the corresponding sectoral associations, though not always having a happy end. While some managed to constitute as the leading voice of these sectors, others would be finally subsumed under more traditional associations, deepening thus the concentration of representation in particular business organizations. The incorporation of the CNE under the SOFOFA is a clear illustration of this process. Third, asymmetric trade negotiations promoted the articulation of various business networks, whose utility in terms of the material resources and the access to technical capabilities and expertise varied across particular actors but also across countries. In this sense, two main traits are worth mentioning. Business networks as in the case of the REIH and the active involvement in the ABF seemed to be of greater relevance for those actors attempting a significant *aggiornamento* in trade negotiations than for those having extensive expertise in this area. Contrary to the active role of Argentine business associations in these regional forums, Chilean presence in these meetings has not been too significant. Rather than using these forums for the promotion of their particular trade interests, for Chilean actors these would more prominently serve as a space for norm diffusion, e.g. the adoption of regulatory standards in Corporate Responsibility.

Finally, when looking across the different types of negotiations examined in this study, asymmetric trade negotiations appear as the ones leading to more variegated strategies on behalf of civil society actors and hence to more diverse patterns of public-private articulations. In addition, these strategies varied substantially across actors – namely, trade unions and NGOs – but also across countries in terms of the moment, they came into scene.

In a limited institutional context, the launch of asymmetric trade negotiations triggered the activation of a wide spectrum of actors – certainly more heterogeneous than in symmetric trade negotiations – who pursued a broad range of strategies, ranging from collaboration, to opposition, contestation, and confrontation. In this sense, and according to our analytical narrative, in most of the negotiations examined those actors that intended to

have an impact on trade negotiations deployed a *collaborative* strategy. However, this should not underestimate the fact that when negotiating North-South agreements a whole new repertoire of strategies and tactics was selectively used by the various actors involved, including the deployment of *competitive* strategies as well. In a context of limited inclusion, these strategies led to cases of *formalistic* and *cooptive* patterns of public-private articulation.

This new repertoire was closely associated to the ensemble of social and political actors in networks bridging the North-South divide. Assuming a more moderate and insider position or an extreme and outsider stance, these networks facilitated access to institutional, material, and financial resources together with technical capacities and expertise, being this in short supply for many trade unions and CSOs in the Southern Cone. Some of these organizations in Chile had developed an important role during the negotiation with Canada and already when discussing the possible entry of Chile to NAFTA. Thus, they developed expertise in trade negotiations and in participatory strategies. However, when compared to business actors in this country, the learning process seems to have been weaker. Actually, the domestic incentive appears to have been absent, that is, a context of extended inclusion into the trade decision-making process as in the case of leading actors of the business community.

The picture of civil society activism was thus far from simple. Whereas some actors assumed a clear insider strategy and made use of the limited participatory spaces to promote issues of governance, democracy and participation leaving the trade agenda out of their immediate concerns – e.g. Corporación PARTICIPA and Poder Ciudadano – others, on the contrary, placed higher priority on the free trade agenda and confronted the government. The latter, however, did not exclude the use of available mechanisms to press state actors in an attempt to embed more deeply environmental and social clauses in trade agreements as in the case of the ACJR. Trade unions also seemed hesitant regarding the strategy to follow according to their opposition to FTAs, as shown by the CUT in Chile and the CGT and CTA in Argentina. In time, these divergent positions would undermine their effectiveness in making their voices heard in the negotiation process but also challenge the articulation of broad social coalitions bringing together labour and NGOs across the region.

Finally, the impact of these networks would be largely determined by the domestic institutional context, as shown by the early activation of trade unions and NGOs in Chile

and the rather late configuration of similar contestatory voices in Argentina. And more importantly still, especially in terms of the impact of trade negotiations on the domestic governance, the particular negotiating counterpart appeared to be a fundamental factor to understand the activation of civil society actors. In this sense, differences between the FTAA and the EU are striking.

In a context of domestic limited inclusion, the FTAA has been characterized by more confrontational postures. This activism contrasted with the low resistance or mobilization triggered by the launch of trade negotiations with the EU. Even if both negotiation processes did not include the participation of civil society actors in the initial stage, while the launch of negotiations within the FTAA was met with demonstrations and mobilizations, such manifestations were almost absent in Rio in 1999.

When examining the launch of North-South trade negotiations, the interests and incentives of actors and the strategies they deployed showed greater variance, not only when compared against other types of negotiations, but also when looking into different civil society actors.

c) Multilateral trade negotiations under the WTO

Within the realm of trade negotiations at the WTO, the end of the UR and the later launch of the Doha Round placed higher demands on state and non-state actors in terms of specific technical and legal trade capabilities. These transformations in the multilateral arena had significant consequences for the ways in which state and non-state actors – more prominently, business representatives – defined their interests and strategies, which at the intersection with the domestic political structure ushered particular patterns of articulation.

Contrary to what had been the experience during the GATT when Latin American countries displayed only limited activity within the multilateral system, the conclusion of the UR and the creation of the WTO were followed with increased enthusiasm by Argentina and Chile. Based on this enhanced interest, state actors in both countries assumed a more active role at the multilateral trading system in the late 1990s and early 2000s. Whereas in the III WTO Ministerial in Seattle 1999, Chile demanded further liberalization in trade in agriculture and stricter disciplines, Argentina became enthusiastically involved in the Doha Round. This has translated into the active

participation of both countries in different formal and informal coalitions intended to promote market access for non-agricultural products and trade liberalization in agriculture.

At the domestic level, the creation of the WTO and the later Doha Round faced Southern governments with increased regulatory stakes and the rising legalization of the trade agenda. Specific institutions were thus deployed to provide both state and business actors with useful tools and instruments to deal effectively with these increasing legal requirements, as in the case of the CACE in Argentina. In addition, trade policy instruments had to be adapted and modified to comply with the obligations undertaken under the agreements on the new agenda, namely antidumping and IPRs.

Expertise turned out to be a fundamental resource for both state and non-state actors when facing legal demands and trade disputes through the WTO Dispute Settlement Body. Moreover, to the already acknowledged complexities attached to the negotiation of the so-called Singapore issues of competition policy, investment, government procurement, and trade facilitation, the Doha Agenda included market access in industrial products, agriculture, and services.

Building on the article 20 of the WTO Agreement on Agriculture, the Doha Round incorporated the negotiations intended to progressively reduce export subsidies and trade-distorting domestic support while at the same promoting improvements in market access, especially for developing countries. The integration of the agricultural agenda into the multilateral trading system moved the traditional agreements based on simple rules to the establishment of schedules and dates, but more importantly to the discussion of specific complex models, requiring sophisticated technical analyses, all of which entailed additional challenges for developing countries as Argentina and Chile.

Efforts within governments were then strengthened to develop the necessary technical capabilities in the agricultural area where both countries held strong stakes. In the case of Chile, the creation of the WTO and the commitment to further liberalize trade in agriculture were accompanied by the creation of a trade policy branch in ODEPA. Until then, and after MERCOSUR negotiations, this office had worked as an informal advisory unit to the Minister of Agriculture. Created in 1992, ODEPA was thus reinforced in its role of monitoring agricultural trade discussions and providing assistance in coordination with the DIRECON. In Argentina, the Secretariat of Agriculture immersed itself in a process of

capacity building by training a selected group of economists in the state-of-the-art impact assessments.

Interestingly, in both cases, this governmental strategy included close collaboration with leading institutions representing the private sector. Within the SNA, which was then undergoing important institutional reforms that would lead to increasing unity and representativeness, a special department was created. Under the direction of leading professionals, this department was intended to provide technical support in the elaboration of the sector's position in trade negotiations, including those at the WTO and the various disputes where Chile was involved, being some of them with its neighbour country, Argentina. In the process, a *collaborative* strategy was developed with public officials and trade diplomats, both in the ODEPA and the DIRECON. In Argentina, multilateral commitments to agricultural trade liberalization led to a similar process of institutional building and learning process in sectoral business associations. Led by the INAI, the sector sought to strengthen its technical capabilities to support the negotiating positions of its associated members but also to provide advice and technical analyses to public officials and trade diplomats.

In order to face these negotiations effectively, state actors did not only initiate a process of learning by doing to develop sound technical capabilities, but actively sought the engagement of business actors as well. In both countries, and as emphasized by different interviewees, state actors made a concerted effort to reach out to business to inform them of the stakes of the Doha Round but more importantly, to solicit their advice and expertise. This opening included both industrial and agricultural associations, which were granted extended inclusion in the trade policymaking process. However, confronted with different strategies on behalf of the industrialist and agricultural associations, this approximation to business actors would lead to diverse patterns of articulation.

In the case of agricultural interests, leading associations in both countries have more intensely developed a *collaborative* strategy with public officials and trade diplomats dealing with WTO negotiations. Based on their enhanced technical expertise, agricultural interests made extensive use of the multiple access points and the series of mechanisms – both formal and informal – through which they could access trade policymaking channels. In time, these new practices became routinized, leading to a *cooperative* articulation between agricultural associations and state actors both in the corresponding sectoral public agency –

namely, ODEPA in Chile and the Secretariat of Agriculture in Argentina – but also within the DIRECON and the Ministry of Foreign Affairs. In time, this would lead to a close working relationship based on the mutual exchange of information and learning but more importantly on a high level of trust between public officials and agricultural representatives. Contrariwise, this openness towards the business community did not elicit a similar response on behalf of industrial interests.

In both countries, the participation of industrial interests in multilateral trade negotiations under the WTO has been rather negligible. The long-term horizon of this process and the uncertainty of the outcomes have ushered a rather passive stance, illustrated by the attitude of both the SOFOFA and the UIA, which in the case of the latter was reinforced by further splits across sectors. In spite of being frequently consulted by public officials and trade diplomats regarding their particular stakes in the multilateral agenda, these have failed to produce significant contributions or at least to fulfil the governments' demands. By the time the Doha Round was launched both institutions had already developed technical capabilities through the creation of specialized departments dealing with the WTO, which in the case of the SOFOFA had been even further reinforced by the incorporation of an expert on the WTO. Despite these developments, public officials and trade diplomats in both countries complained of lack of industrial input to refine the country's strategy and set out clear negotiation objectives.

Complaints among civil society actors also emerged in both countries. However, in this case, their dissatisfaction was related to the lack of access mechanisms to the trade policymaking process to discuss the WTO agenda. In both countries, public officials' reach out to non-state actors remained circumscribed to the more traditional actors in these processes, namely, business representatives, leaving out a large number of social organizations. In the context of multilateral trade negotiations, technical requirements seemed to exceed the government's need for legitimacy and wide social support.

Despite the strong developmental component attached to the Doha Round negotiation agenda, this has aroused the interest of a limited number of NGOs. Most of these were already involved in regional and international networks, being this involvement a by-product of their participation in regional trade negotiations or institutions, such as the FTAA or the Organization of American States (OAS), among others.

While governments have not included civil society representatives in the official delegations to the WTO and have not openly invited them to discuss the agenda, these actors' strategies have mainly focused on the development of different activities to raise social awareness on the impact of multilateral trade liberalization. In addition, actors would also take the initiative to contact and generate a dialogue with public officials and trade diplomats. Thus, the texture of this *formalistic* articulation between state and civil society representatives has remained institutionally thin as dialogue between these actors was intermittent and totally ad hoc.

Based on the empirical evidence, multilateral trade negotiations have elicited a more similar pattern of interest articulation and strategy across countries. Differences appear to be more marked across sectors. In effect, in a domestic context of extended inclusion where industrialists and agricultural interests relied on a rather ample array of access channels and mechanisms into the policymaking process, only agricultural interests have developed a strong *collaborative* strategy. Based on the provision of technical information and analyses, a close working relationship was thus developed between public officials and trade diplomats, and leading actors in the agricultural sector. This contrasts to the low level of involvement of the industrial interests gathered under traditional associations in both Argentina and Chile.

Finally, and regarding the articulation with civil society actors, being the outcome of Doha a development agenda where the new proactivist South had an important role [Ostry 2004], no mass mobilizations opposing the launch of the Doha Round were observed. In both countries, trade unions and NGOs have opted for a *collaborative* strategy whenever an opportunity arose to put forward their own demands and proposals.

d) Summary

The examination of these various trade negotiation processes has revolved around the different patterns of public-private articulations that each of these processes triggered at the domestic level. The analysis suggests that these various negotiation agendas had a different impact on domestic trade governance. Differences turned out to be more marked when comparing symmetric, on the one hand, and asymmetric and multilateral trade negotiations, on the other. More specifically, it was the articulation between state and business actors the one showing this variance more strongly.

When it comes to South-South negotiations, these have elicited a more competitive articulation with business actors given that these have pursued a traditional lobby strategy. Fearing competition, different sectors would demand protection against competition from foreign production and even exclusion from the agenda. The predominance of this pressure articulation can be explained by the fact that when most of these symmetric agreements were negotiated, both Argentina and Chile were only starting with this more open strategy towards trade agreements. In other words, if participating in trade negotiations is a learning-by-doing process, this process was just beginning. However, this business reaction was still persistent in the early 2000s when negotiations with China and India were launched. Even in a country like Chile, with a long and active role in trade negotiations, industrialists would seek protection. Judging from our analytical narrative, we would thus expect business interests to assume a more defensive stance when facing symmetric trade negotiations, where the agenda mainly revolves around market access and tariffs.

In the case of asymmetric and multilateral trade negotiations, we found that these have more frequently led to a cooperative articulation between public officials and business actors, showing thus the important role of expertise.

Moreover, when looking into trade negotiations under the WTO empirical evidence suggests that these elicited similar patterns of articulation between state and business actors in both countries. Interestingly, public-private articulations after the launch of the Doha Round presented cross-national commonalities, but cross-sectoral variations. Whereas state actors would pursue a process of extended inclusion, this was met with a collaborative strategy in the case of agricultural interests, which contrasted with the difficulties industrial interests faced to define and make specific contributions to the country's negotiating position.

Asymmetric trade negotiations also included the need to build a larger base of political support on the part of public officials and trade negotiators, a need that seems to be absent when looking into the negotiations under the Doha Round. Clearly, this cooperative articulation varied in terms of the specific business interests involved and along time. Still, a close working relation emerged between public officials and trade diplomats, and those business sectors capable of offering this expertise.

Clearly, resource interdependence affected cooperation among state and business actors. Out of the two resources state actors regularly sought, expertise on trade issues turned out to be the most decisive element in the configuration of this working relationship. In addition, and bringing back this idea of trade negotiations as a process of learning-by-doing, it is clear that the leading role of business interests in trade negotiations elicited a learning process along which their trade capabilities and expertise were developed, being this reinforced by their role as main interlocutors for governments.

This is also confirmed when analyzing the articulation with civil society actors. State actors would more strongly seek the support of larger social groups when facing asymmetric trade negotiations. Even if this was a more pressing need after the launch of North-South agreements, the opening of channels and mechanisms to allow civil society inputs in the trade decision-making process was also a response to regional mandates or commitments. These openings did not entail substantial changes and transformations in the limited institutional context. As argued in our analytical framework, the idea of public-private articulation emerges at the intersection of the institutional offer and the societal demand. In the case of the articulation between state and civil society actors, the negotiation processes here examined seemed to confirm the notion that as exclusion persisted, civil society actors had fewer incentives to invest in their institutional and technical capabilities.

Finally, even if a collaborative pattern tended to predominate when looking across asymmetric trade negotiations, these processes led to new forms of social activism as shown by the emergence of regional networks and the deployment of opposing – insider and outsider – strategies. In this sense, North-South negotiations elicited the most variegated patterns of strategies and thus, of articulations between state and civil society actors. However, these were more strongly observed after the launch of negotiations within the FTAA. These confrontational strategies were practically negligible after negotiations were launched with the EU. Although to some extent, the economic agendas promoted by the United States through the FTAA and the EU did not differ substantially, negotiations with the EU were preceded by long years of intense collaboration and cooperation. The EU financed extensive programs aimed at promoting institutional building – as in the case of MERCOSUR institutional framework – but also to develop capacities in the civil society realm. Thus, and based on the idea of the EU as a civilian power, one could expect civil society actors to feel reluctant to confront one of their most important benefactors.

8.2. Comparison across countries

After having looked across different trade negotiations to see to what extent these triggered various patterns of articulation between state and non-state actors, we now turn to the domestic factors that could be explaining this variation in the ways in which actors defined their interests and strategies and articulated in order to face effectively these negotiation processes.

Tables 8.1 and 8.2 summarize the patterns of articulation between state and non-state actors in the two countries across symmetric, asymmetric, and multilateral trade negotiations.

As argued in the literature, globalization and regionalization do not entail the demise of the national state. In fact, these international processes add new complexities that demand a more comprehensive analysis of the international and the domestic. Building on this, this section is intended to look into the domestic institutions that shape policy preferences and structure opportunities for the articulation of state and non-state actors in the context of particular trade negotiations.

Table 8.1. Trade governance in Argentina:

Political opportunity structures, preferences, and strategies across negotiations

Trade negotiation		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
South-South	<i>Business</i>	Extended inclusion	Competitive strategy	Pressure articulation
	<i>Civil society</i>	Limited inclusion	Collaborative strategy	Formalistic articulation
North-South	<i>Business</i>	Extended inclusion	Collaborative/Competitive strategy	Cooperative/Pressure articulation
	<i>Civil society</i>	Limited inclusion	Collaborative strategy	Formalistic articulation
WTO	<i>Business</i>	Extended inclusion	Collaborative/Competitive strategy	Cooperative/Pressure articulation
	<i>Civil society</i>	Limited inclusion	Collaborative strategy	Formalistic articulation

Source: The author.

Table 8.2. Trade governance in Chile:

Political opportunity structures, preferences, and strategies across negotiations

Trade negotiation		State actors <i>Political Opportunity Structure</i>	Non-state actors <i>Interests and strategies</i>	Public-private articulation
	South-South	<i>Business</i>	Extended inclusion	Competitive strategy
<i>Civil society</i>		Limited inclusion	Collaborative strategy	Formalistic articulation
North-South	<i>Business</i>	Extended inclusion	Collaborative strategy	Cooperative articulation
	<i>Civil society</i>	Limited inclusion	Collaborative strategy	Formalistic articulation
WTO	<i>Business</i>	Extended inclusion	Collaborative strategy	Cooperative articulation
	<i>Civil society</i>	Limited inclusion	Collaborative strategy	Formalistic articulation

Source: The author.

a) The stability of trade policies

Despite the priority of trade liberalization since the mid-1980s, trade policies in Argentina were still permeated with instability and vicissitudes. After the first and ill-coordinated attempt at unilateral trade liberalization under military rule in the mid-1970s, it would be democratic governments the ones undertaking important transformations in the country's economic structures and institutions.

The first democratic government would set the basis for unilateral trade liberalization and structural adjustment programs while at the same time pursuing regional integration. However, only in 1994 the country underwent a deep process of market reform, combining thus economic liberalization and democracy on an unprecedented way in the Southern Cone. Later on, and as part of MERCOSUR, Argentina would adopt a dense and active external trade agenda becoming thus involved in various symmetric and asymmetrical trade negotiations. Hence, the country's trade strategy privileged a model of deep integration through MERCOSUR, which also entailed participating in the multiple negotiations the Southern bloc undertook and in the WTO. As the 20th century was slowly coming to an end while MERCOSUR was undergoing serious difficulties, Argentina faced a chronic trade deficit in a context of unsustainable debt dynamics, an overvalued real exchange rate,

and weak macroeconomic fundamentals. In convergence with some external factors, these various economic factors unleashed the economic crisis of 2001-2002. Among other important and fundamental economic decisions and contrary to what had been the experience during previous crisis, rather than closing down the economy, the government would now strengthen trade liberalization through a Multipolar Trade Strategy. Taking MERCOSUR as platform, the multipolar strategy combined participation in multilateral rounds and regional negotiations as compatible and necessary options. In sum, since the 1990s, within a consistent paradigm of trade liberalization, Argentina developed different trade strategies in an attempt to adjust trade policies to changes in the domestic and international structural contexts.

On the contrary, Chile stands out for its stable trade policies, based on a long-standing strategy of economic liberalization starting in the 1970s under the dictatorship, when a flat rate regime was established together with extensive export promotion schemes. In the 1990s, political liberalization and democratic restoration did not entail a rupture with past economic policies. In fact, economic liberalization was now to be deepened by a complex and dense web of trade agreements on the regional and extra-regional level while at the same time pursuing further liberalization through the WTO. Chile became hence a pioneer of New Regionalism and of the multipolar trade strategy [Robin 2008].

Over the last 30 years, Chile has managed to implement and sustain its “lateral” trade policy, premised on a mixture of unilateral, bilateral, plurilateral, and multilateral liberalization. Apart from the impressive economic results of this strategy, today there is an enormous social consensus on the desirability of trade liberalization and FTAs. This consensus makes of Chile almost a unique case in the region.

As extensively argued in the literature, these processes of adaptation of national political economies are conditioned by institutional structures and by politics, that is to say, by particular sets of political and policy choices on the part of the different actors involved. What role did state and non-state actors played in these transformations and adaptations? More importantly still, to what extent did these final configurations of actors and interests contribute to explain the various constellations of domestic interests and strategies in the context of symmetric, asymmetric, and multilateral trade negotiations?

b) State actors and trade negotiations

In Argentina, regional integration, starting with the PICE and then during the process of constitution of MERCOSUR, was a state-led project where the Executive played the leading role. However, differences persisted among the various public agencies involved in the trade policymaking process. Even if the creation of MERCOSUR already in the early 1990s routinized interaction on various policy areas raising thus the demand for expertise and coordination, the lack of institutionalized mechanisms and channels for information sharing and coordination was still evident in the mid-1990s and early 2000s. Discrepant views among agencies were thus non-resolved and sometimes even deepened, to the extent that in those cases where differences appeared to be irreconcilable, the President would hit the balance.

The design and implementation of trade policy has traditionally remained separated in the hands of various Secretariats and Undersecretariats in the ministries of Economy and Foreign Affairs. Although by the late 1990s and early 2000s, different initiatives were taken to promote a better equilibrium between both ministries in all trade policy matters and to enhance coordination among them, these failed to reverse the situation completely and waned away as the public officials leading these initiatives abandoned office. Clearly, the *persona-grama* was still a fundamental factor in order to understand the trade policy decision-making process in Argentina.

In addition, in a context of rather high instability in the implementation of institutional transformations combined with the reshuffles in political positions and the fluctuation in the rules of the game as political leaders came in and out of office, the personnel under professional services contract – the *contratados* – have gained increased importance. Despite the temporary nature of their contracts, as long as they remained in their positions for long times, and in some cases even longer than politically designated officials did, these hired public officials turned out to be the most stable liaison between state and business actors.

When looking across the various negotiations examined in this study, we found that the FTAA and to some extent negotiations under the WTO, have elicited several institutional reforms and initiatives regarding the decision-making process. On the one hand, the CNCE was created within the Ministry of Economy to face the judicialization of the trade agenda under the WTO. On the other hand, negotiations within the FTAA gave way to the creation of several mechanisms in the Ministry of Foreign Affairs as trade diplomats

intended to reach out to both business and civil society representatives. At the same time, the then Minister of Economy and the Vice-counselor and Minister of Foreign Affairs and International Trade attempted at promoting better coordination and information-sharing across these two ministries and with other public agencies related to trade policy decisions. However, both developments were only short-lived, as they did not survive the political reshuffle in these areas. Moreover, in the case of the participatory mechanisms, these were the result of a clear regional mandate intended to enhance participation and transparency in combination with the new trade strategy the government was now pursuing. Hence, as negotiations within the FTAA waned and those in charge of these spaces left office, these different channels would fall into disuse with the only exception of the CCSC that is still in place today. However, discussions in this forum are based on a much larger and heterogeneous agenda, being the connection with ongoing negotiations practically nil.

Asymmetric and multilateral negotiations under the Doha Round have thus highlighted the crucial importance of expertise and technical abilities as a prerequisite in government solicitation of non-state actors' participation. The need to enhance legitimacy in trade policy decisions turned out to be less acute, giving way to sporadic and ad hoc points of access into the decision-making process to allow for the inclusion of wider societal interests. Thus, whereas governments have provided limited and institutionally thin mechanisms for the inclusion of civil society actors that do not permit clear input in the decision-making process, business actors were granted extended access to policymakers in the area. Either on a formal basis but more importantly through informal channels and mechanisms, business actors – namely, large businesses and traditional associations – have traditionally relied on numerous access points to trade policymaking channels. In addition, public officials would grant privileged and stable access to those capable of providing technical information and expertise, as in the case of the INAI and the CIQyP.

This institutional fragmentation and instability in the mechanisms intended to promote coordination among agencies but also with non-state actors, contrasts with the marked institutionalization and formalization of policymaking procedures in Chile.

Already in the early 1990s and as the country launched its multipolar trade strategy, several transformations were implemented to deepen state actors' institutional coordination and leadership. Together with the centralization of foreign trade responsibilities in the DIRECON, several public officials coming from the previous administration were kept in

their positions, and new offices and departments were created to promote specialization in the various negotiating fronts. Consequently, the government's negotiation capabilities would be enhanced by combining a group of well-trained economists with well-experienced public officials, while various institutional changes were introduced to promote information sharing and coordination among the various public agencies involved in the trade decision-making process.

In addition, the Concertación administrations would encourage the institutionalization of broad societal participation through the creation of several tripartite forums. Even if these early initiatives and mechanisms were intended to allow for the participation of business and trade unions, and to a lesser extent experts and academics, in practice, only business representatives have enjoyed extended inclusion into the trade policymaking process through continuous and stable access mechanisms. In the early 2000s, the Lagos administration made a commitment towards the participation of civil society actors and the Ministry of Foreign Affairs and the DIRECON were thus instructed to include citizen input in the trade decision-making process. Following this presidential directive, joint meetings and seminars were held to discuss proposals with trade unions and civil society representatives. Nevertheless, the mechanisms did not allow civil society input into the decision-making process, failing thus to produce the expected results. While the channels implemented to allow the participation of a broader spectrum of civil society actors remained low and fragile, business actors were more actively sought by governmental actors and new business associations were yielded access to public officials and trade diplomats. Moreover, and as in the case of Argentina, the opening of participatory channels for civil society has been strongly correlated with regional mandates, as in the case of the negotiations with the EU and within the FTAA, being the negotiations with Canada an important precedent in this strategy. Trade negotiations with Canada set some dialogic gymnastics, which was then reinforced by following North-South trade initiatives.

In sum, while both countries are distant in terms of the degree of institutionalization and formalization of the different mechanisms intended to promote the government's institutional leadership and capabilities, when it comes to the channels and mechanisms devised for the articulation with non-state actors, three common patterns emerge. In the first place, state actors have more intensely sought the collaboration and expertise of business actors while the strategy developed to integrate broader societal interests has

remained institutionally thin and ad hoc in both countries. In the second place, despite some domestic factors contributing to this opening towards civil society, as the launch of the multipolar trade strategy in Argentina and Lagos's commitment to citizen participation in Chile, in both cases it is clear that this opening was most actively deployed after the launch of asymmetric trade negotiations. This participation agenda was closely related to the demands and requirements of Northern partners. Finally, when dealing with trade negotiations, especially with those involving Northern counterparts and those under the WTO, obtaining specialized information and technical expertise together with the acquiescence of business was more imperative for state actors. Contrariwise, enhancing their legitimacy and base of political support by providing trade unions and civil society representatives, access to the policymaking process appeared to be less crucial.

However, and as argued in our analytical framework, when looking into domestic governance, the institutional supply is a necessary but not sufficient condition to explain the articulation between state and non-state actors. In fact, attention should also be placed on non-state actors, their institutional leadership, and capabilities. Thus, the ways in which they define their interests and policy preferences, together with the strategies they implement to pursue their demands, in combination with the political opportunity structure in the context of trade negotiations will elicit particular public-private articulations.

c) Non-state actors and trade negotiations

We now turn to the societal demand, that is to say, to the different non-state actors who demanded spaces to be informed and a place in the trade decision-making process. While the political opportunity structure will certainly determine their effective participation, it is equally true that this will also depend on their institutional capabilities, which in the case of increasing complex trade negotiations turn out to be more pressing.

When looking across countries, differences emerge regarding the patterns of interest organization and definition and these appear to be more marked regarding business actors.

In Argentina, in the absence of stable economy-wide associations, business interests have traditionally presented unstable and fragmented patterns of associations. The extensive competition among economic interests based on their size and sectoral diversity raised

barriers to collective action. Moreover, their conversion to the free trade canon was not homogeneous across sectors.

The traditional cleavage between import-competing industrialists and export-oriented agrarian interests persisted. Whereas industrialists under the UIA have deployed a competitive strategy to demand protection across the different trade negotiations analyzed, differences still prevailed among its associates according to their size and particular sector. Hence, major firms together with concentrated sectors such as food producers under the COPAL and petrochemical and chemical industries under the CIQyP, have deployed a collaborative strategy across these various negotiation scenarios. This contrasts to the rather monolithic free trade stance of agricultural interests and their collaborative strategy with public agencies when facing asymmetric and multilateral trade negotiations.

Differences across economic interests, but more importantly, across industrialist interests would be further deepened as the trade agenda gained in complexity and technicality. Based on their collaborative relations with public officials and trade diplomats and their fluent access to the decision-making process, agribusiness associations would actively seek to develop their trade capabilities and expertise. The enhanced professionalization of the sector, in turn, deepened their relation with public officials and their involvement in the trade decision-making process. In the case of industrialist interests, this learning process was mainly undertaken by large companies and associations representing competitive and internationalized sectors as in the case of the COPAL and CIQyP, among others. The UIA has also attempted at developing its trade capabilities, though so far the results have been meagre.

This situation contrasts to that of Chile where business interests have moved towards a strong consensus regarding the benefits of free trade and the negotiation of FTAs. Already in the 1980s, under the military regime, import-competing industrialists under the SOFOFA assumed a free trade stance. The mediating role of the economy-wide CPC was fundamental then, during the democratic transition and the first years of democracy, just when South-South negotiations ranked high on the governments' agenda, both for state and non-state actors. When facing highly conflictive situations – e.g. the negotiation with MERCOSUR – the CPC played an important role as mediator. However, as trade agendas gained in complexity and government consultations on trade negotiations became more detailed and often sector-specific, sectoral peak associations gained new prominence. In

fact, the broad and technical character of negotiations went far beyond the CPC's capabilities. Nevertheless, rather than investing in this multisectoral organization, business actors devoted their resources to the development of the institutional leadership and technical capabilities of sectoral associations, as shown by SOFOFA and the SNA, though to a lesser extent. Combined with the preferential access granted by the government through various formal and informal mechanisms, SOFOFA turned out to be the main interlocutor for business interests.

Led by SOFOFA, over time, business actors have developed a strong offensive attitude towards FTAs and have constituted as the main allies of the government in negotiations, an attitude more evident during the negotiations within the FTAA and with the EU. Contrary to the organization of the private sector in Argentina, agricultural interests in Chile have assumed a more protectionist stance. Still, these protectionist demands, which would reach its peak during the negotiations with MERCOSUR, would not hinder the development of a collaborative strategy with public officials and trade diplomats during asymmetric trade negotiations and under the WTO. In fact, by then the SNA was leading a deep learning process intended to provide technical support to their demands. Thus, a working relationship would emerge with public officials in ODEPA and DIRECON, though it would be short-lived because of political changes within the organization. Chilean private actors seem to have responded relatively quickly to the changes in benefits and incentives provided by the state.

When looking at the ways through which private actors accessed public officials and trade diplomats in both countries, either assuming a collaborative or competitive strategy, the business community has resorted to both formal and informal mechanisms to respond to the government's solicitation or when raising their demands and promoting their own proposals. In this sense, the "outsider" strategy assumed by the SNA during the negotiations with MERCOSUR turns out to be an interesting exception when analyzing both countries.

Regarding formality and informality, we found that despite the early institutionalization of participation channels and mechanisms in Chile in the early 1990s, this has not overruled informal access. In Argentina, business actors have mostly relied on the informal but stable channels available, but have also made extensive use of the formal mechanisms set up in the early 2000s.

By then, the country was involved in simultaneous trade negotiations and as part of its new multipolar trade strategy, formal spaces were created for the interaction between state and non-state actors. Despite considering these mechanisms as mere formalities, business actors felt compelled to attend these meetings while at the same time relying on traditional informal channels, which in turn would prove to be more useful for placing their own demands and requirements. However, by then, and this was an important novelty introduced by the asymmetric trade negotiations, but especially by the FTAA, all business actors including those with a more protectionist stance within the UIA were interested in participating. They would actively solicit information and meetings with public officials and trade diplomats showing thus an unprecedented activation and mobilization towards trade negotiations, either based on a competitive or collaborative strategy. In addition, negotiations within the FTAA spurred not only the interest of business actors in trade initiatives but also their interests in developing institutional capabilities, which in the case of agrarian interests would be further reinforced by multilateral negotiations and the launch of the Doha Round, as exemplified by the INAI.

In Chile, by the time asymmetric trade negotiations were launched, the SOFOFA had already developed a strong expertise on trade issues and more importantly, in the negotiation of FTAs. Negotiations with the EU and under the FTAA found state and business actors forming a strong alliance based on the consensus on the desirability of free trade. Clearly, this close and collaborative articulation has strengthened Chile's position in the negotiation of asymmetric trade agreements.

When analyzing multilateral negotiations under the WTO, empirical evidence shows that the pattern of interest definition and articulation comes closer in both countries. Whereas agricultural interests mostly developed a collaborative and active strategy, industrial interests as represented by the UIA and the SOFOFA have failed to provide public officials and trade diplomats with qualified input. Given the long-term horizon of these negotiations and the uncertainty of their outcomes, industrialists have not assumed an active role within this negotiation process.

Premised on a basic consensus on the desirability of free trade, and building on our empirical evidence, Chilean business associations seem to have responded relatively quickly to the continuity in the benefits and selective incentives provided by state actors. As state actors provided access to mitigate their policy vulnerabilities, namely the need for

information and political support, they contributed to the building of longer-term institutional and technical capabilities in business associations.

In Argentina, the persistence of defensive and offensive business interests has led to a complex pattern of pressure articulation, on the one hand, and to a more cooperative articulation, on the other. Those developing a cooperative relation with public officials and trade diplomats have also undertaken a steady learning process to develop their trade capabilities and expertise. This stable and constant access to state actors has thus offered an important incentive for business actors to invest in their own institutional leadership and capabilities, which in turn reinforced this cooperative pattern, leading in time to the configuration of a close working relationship. Still, this appeared to be limited to particular sectors and chambers, namely, concentrated and export-oriented sectors.

As argued in our theoretical framework, access to the decision-making process can be an important incentive for business actors to invest in their institution and develop their institutional leadership and trade capabilities. This seems to be a necessary condition but not a definitive one, as shown by those industrialist interests oriented towards the domestic market in Argentina. Though having extended inclusion to the decision-making process, import-competing industrialists followed a historical pattern of reaction and defence. This was even reinforced by the fact that as long as their trade capabilities were meagre, the chances for the consolidation of a virtuous circle involving a dynamic and two-way flow of information and expertise between public officials and industrialists have also remained low. One could then argue that it is not only a question of granting access to the decision-making process. The quality and stability of the available channels and mechanisms are also highly relevant. Still, this context of limited institutional supply has not been met with a strong and coherent demand for change on behalf of business actors. The cost of more transparent and participatory mechanisms could be too high, especially for those sustaining a protectionist stance.

Fragmentation between those supporting free trade and those rejecting FTAs was also present in civil society in both countries. Still, this fragmentation would only become more visible during the negotiation of asymmetric trade agreements, as it was these negotiations the ones ushering a stronger mobilization of trade unions and civil society representatives.

While symmetric trade negotiations, especially those involving Latin American partners, were viewed as a way of promoting further regulation in social and environmental issues,

the FTAA led to the an intense learning process. In turn, this was favoured by the articulation of regional networks, which entailed two important transformations in terms of previous experiences of regional articulation. On the one hand, they more intensely bridged the gap between the North and the South and, on the other hand, they were intended to widen the debate on free trade by including others issues on which FTAs could have an impact and which were largely disregarded in official negotiation agendas. Thus, these networks led to the emergence of new forms of coordination and convergence between labour and NGOs. These coordination patterns have provided important resources for participation at the domestic level.

Participation at the domestic level remained fragmented and institutionally thin. Once again, even if in Chile an early process of institutionalization to allow for civil society input in the trade policymaking process took place, broader societal interests faced greater obstacles to access public officials and trade diplomats. Moreover, and after mechanisms were institutionalized in Argentina, a similar perception pervaded civil society actors in both countries: existing mechanisms appeared as merely formalistic exercises as they did not allow real discussions and debates.

When looking across the different trade negotiations examined in both countries, the FTAA seems to have elicited the most variegated patterns of interest definition and articulation among civil society actors. These strategies oscillated between the outsider-insider dichotomies, while at the same time civil society representatives resorted to a wide array of mixed-approaches.

In Argentina, as in the case of business actors, the FTAA was the negotiation that aroused their interests most fervently. However, even then, consultation on behalf of state actors was limited and the particular proposals and demands of trade unions and NGOs could hardly find a way to the trade policy process. Moreover, as the FTAA waned away the momentum of participation followed suit and no other trade negotiation – not even the negotiation process with the EU that has recently been reactivated or the Doha Round – has excited so much social activism.

This activism gained prominence in the 2000s whereas in Chile already in the mid-1990s trade unions and CSOs had initiated a learning process to enhance their trade capabilities, as shown by the creation of a specialized department on international relations in the CUT as the labour organization attempted to build a more pragmatic approach to FTAs and

trade liberalization. In fact, Chile started negotiating North-South agreements in the mid-1990s, being the negotiation with Canada a fundamental precedent. In Argentina, on the contrary, the lack of participation can be explained by various domestic and internal factors, including the labour reform, changes in the organization of trade unions, and the creation and recreation of new forms of social activism. Based on these pressures on public officials and trade diplomats and the regional mandates, the CCSC was put in place. Given the consultative nature of this body and the dense agenda where trade negotiations were only one topic among many others, their influence has been rather negligible.

In sum, in both countries the participation of broader civil society actors in the trade decision-making process has been extremely limited given constant institutional barriers and obstacles. Though the articulation of networks bringing together Northern and Southern organizations has granted them access to numerous assets, including financial and technical resources, the absence of selective incentives in the form of institutionalized access at the domestic level seems to have hampered the development of their institutional leadership and trade capabilities.

d) The construction of public-private articulations

Trade negotiations have remained as the exclusive domain of state actors and business interests in both Argentina and Chile. However, when analyzing the articulations across countries, important differences emerge.

When looking into the institutional supply, though showing an earlier and thus higher degree of institutionalization in Chile, formality and informality have pervaded the articulation mechanisms between public officials and business actors in both countries. In the case of civil society, though some attempts were made to allow access into the decision-making process and the negotiation of trade agreements, these initiatives were mainly ad hoc and sporadic. Thus, the limited political opportunity structure offered to civil society actors, contrasts to the extended inclusion provided to business representatives. This inclusion was further strengthened for private actors showing enhanced trade capabilities and expertise. Empirical evidence seems thus to confirm that the need for expertise and information is crucial in trade negotiations, leading state actors to more actively seek the contributions of those actors capable of providing this fundamental input, being this

concentrated in the business realm. On the contrary, when faced with the need to enhance their legitimacy and their political base of support to include trade unions and other civil society actors in the trade decision-making process, only ad hoc and contextual mechanisms would be deployed, being this a by-product of asymmetric trade negotiations.

However, when delving into the institutional leadership and trade capabilities of state actors in both countries, fundamental governmental agencies in Chile have developed strong technical expertise in trade issues, being this the result not only of the active external agenda the country faced since 1990 but also of the stability and low level of political reshuffles. Twenty years of political and economic stability under the lead of the same coalition could also be contributing to the development of this technical expertise and capacity in the public administration. A similar process seems to have been absent in Argentina, where the high level of institutional fragmentation and the frequent political reshuffles hampered the development of a stable and highly professionalized trade bureaucracy. In addition, the informal policy process has limited the demand and the potential contribution of technical support activities as those under the CEI.

When looking at the societal demand and capabilities, differences across countries are more striking in terms of the organization of business interests, being these, as we have said, the ones having a leading role in trade negotiation processes together with state actors.

In Argentina, mostly given business fragmentation and sectoralism and the consequent structural deficiencies of organizations, demands have oscillated between protectionism and trade liberalization. The inability of the UIA, the encompassing industrial association, to represent the sector has hindered the articulation of solid and homogeneous business stance at trade negotiations, especially when these gained in complexity and technicalities, and has hampered hence the emergence of a solid articulation with state actors. Contrariwise, export-oriented agrarian interests have managed to build a cooperative articulation. The emergence of a working relation was circumscribed to the latter and to the more competitive and concentrated industrial interests. In sum, the pattern of articulation between state and business actors has been rather heterogeneous.

On the contrary, the commitment to free trade policies over time and across governments, both on behalf of state actors and business actors has led to a collaborative articulation in Chile. This was also deepened by the combined effects of a process of extended inclusion for business actors and the learning and development process this selective incentive

triggered on behalf of business associations. In time, this has led to a mutual learning process and a close working relationship based on the mutual interchange of information and expertise but more importantly on personal relationships of loyalty and trust.

Despite existing differences in the articulation patterns between state and business representatives in Argentina and Chile, in both cases this relation has entailed the de-facto exclusion of wider societal interests.

8.3. Trade governance: an assessment of domestic and regional variables

While the previous two sections have delved into the comparison across negotiations and across countries, we now turn to the assessment of the specific role of international factors vis-à-vis domestic variables in the configuration of public-private articulations in the context of trade negotiations.

From an international political economy perspective, we found then that the specific agendas at play in each of these different types of trade negotiations constitute a fundamental variable to explain the articulation between state and non-state actors at the domestic level.

Building on this, and to sharpen the analysis of the specific mechanisms at play, focus is placed on three central elements related to the negotiation agendas.

In the first place, North-South trade agendas usher the most variegated patterns of articulation between state and non-state actors. These agendas portray elements of the so-called new agenda while at the same time attempt at including areas beyond WTO standards, all of which entail issues that go beyond market access and have an impact on domestic regulation in new policy areas, as in the case of government procurement or environmental regulation. The higher technicality of the issues at stake together with the wide spectrum of the agendas under negotiation has an impact on the domestic articulation of interests. On the one hand, it affects the incentive structure of broad societal interests, activating new actors in the civil society realm but also business actors that so far had been rather reticent towards trade negotiations. On the other hand, these agendas bring new challenges for both state and non-state actors. State actors face the need to promote information sharing and coordination among public agencies to develop their technical

capabilities, which can also be strengthened through the articulation with those non-state actors capable of providing this fundamental resource. At the same time, they need to build their legitimacy and base of political support by connecting a wider array of social and political actors. While all these elements combined are intended to strengthen the country's position at the negotiation table, in the case of the civil society participation this agenda is explicitly included in asymmetric trade negotiations as Northern partners intend to assure the transparency and accountability of the traditionally opaque decision-making process in the Southern Cone.

All these elements generate more diverse patterns of articulation between state and non-state actors as the government needs to contact with a wider array of actors to build its legitimacy and trade capabilities. At the same time, new actors attempt to access public officials and trade diplomats to promote their own agendas and ideas, whose collective action strategies will not be circumscribed to collaboration and participation through the utilization of the established access mechanisms. In fact, they will resort to a broad range of strategies, including contestation, opposition, and confrontation, and even a mixture of them.

Second, multilateral trade negotiations under the WTO elicit similar patterns of articulation across sectors in different countries. Whereas agricultural interests tend to have a closer and more collaborative strategy towards public officials and trade diplomats, industrial interests have assumed a more reticent stance towards these negotiations to the extent that their input into the decision-making process appears to be rather negligible. This is also evident in the case of more export-oriented industrial interests with solid trade negotiation capabilities. Given the long-term character of multilateral trade negotiations and the uncertainty of the outcomes, these are viewed as having no immediate impact on their activities. This perception is reinforced by the idea that these negotiations are largely inaccessible and impermeable to their influence because of the low leverage of developing countries in this forum.

Finally, both asymmetric and multilateral trade negotiations have clearly shown the pre-eminence of technical information and expertise vis-à-vis legitimacy. To gain information and political support, public officials and trade diplomats would more actively articulate with business actors capable of providing them with this fundamental resource, while the

need to enhance legitimacy will only lead to fragmented and ad hoc patterns of articulation with societal actors.

From a comparative political economy perspective, the articulation between state and non-state actors is path-conditioned and it is determined by the country's political legacy. More specifically, we argue that the emergence of a solid and steady articulation between state and non-state actors will be determined by the stability of trade policies. Accordingly, in Chile, a country where a long-term and strategic approach to free trade has been in place for almost 30 years, state actors have developed an anchoring strategy towards non-state actors. Through the promotion of a continuous and stable cooperative articulation with non-state actors combined with the public sector's increased specialization and professionalization, state actors have offered a crucial incentive for societal interests to invest in their organization and technical capabilities. Premised on the exchange of information and expertise and the consolidation of mutual trust, these articulations would assume the form of a close working relationship between state and non-state actors. Transformations in business associations confirmed the importance of this "immaterial" benefit. Similar incentives appeared to be absent for other non-state actors. In effect, given the dominance of the free trade market model and the country's focus on economic objectives, this close articulation has been biased towards business actors, mainly large and organized interests, at the expense of broader societal interests, namely, SMEs, trade unions and CSOs, among others, who have remained largely excluded from this equation.

Contrariwise, Argentina's history has been marked by the instability of its trade policies. State actors' commitment to free trade policies has been fragile and ambivalent. Inaugurated by the ill-coordinated trade reform under military rule, a further attempt at liberalization was carried under the first democratic government, only to be drastically implemented in 1994. The 2001-2002 crisis also introduced significant transformations in this market-led model. This policy instability has hampered the development of a state bureaucracy capable of overcoming these temporary political shifts in favour of a sustainable trade policy, whereas trade policymaking procedures have remained unstable and informal, being these still rather too determined by the *persona-grama*. Moreover, in a context of high fragmentation across economic interests and loose organizational and technical capabilities, the lack of stable and constant access to public officials has deprived business actors of a fundamental incentive to invest in their own organizations.

In sum, whereas in Chile the stability of trade policies resulted from similar political preferences, in time these generated their own public and private constituencies making backpedalling or changes even difficult, in Argentina these factors appeared to be more elusive.

CHAPTER 9

BY WAY OF CONCLUSION

As argued in the literature, the trade agenda has undergone important transformations during the last 25 years, and these have had important consequences for the ways in which state and non-state actors define their interests and strategies. While acknowledging this, our research has shown that this impact varies according to the particular trade negotiation the country faces. Symmetric, asymmetric, and multilateral trade negotiations lead to different patterns of interest definition and articulation at the domestic level, producing thus particular public-private articulations or trade governance arrangements.

From a cross-negotiation perspective, the launch of symmetric, asymmetric and multilateral trade negotiations usher different political dynamics. The variation in the scope of the agenda, the degree of uncertainty attached to it, and the specific demand of technical expertise, have important consequences for the ways in which domestic state and non-state actors articulate their interests and collective action strategies.

Moreover, when looking across negotiations, asymmetric or North-South negotiations lead to more variegated patterns of interest definition and articulation across actors. In economic terms, the broader agenda promotes the activation of larger and more heterogeneous constituencies, who resort to new forms of social activism and a more heterogeneous set of strategies to put forward their demands and agendas. In addition, the inclusion of political principles as the requirements of participation and transparency in the domestic decision-making process leads to the establishment of diverse channels and mechanisms to allow for greater input of broader societal groups. Consequently, North-South negotiations elicit the most diverse patterns of strategies and thus, of articulations between state and civil society actors.

Finally, multilateral trade negotiations under the WTO elicit a more similar pattern of interest articulation and strategy across countries, whereas differences appear to be more marked across sectors. As the trade agenda gains in scope and complexity and becomes multilateralized, the weight of national traditions tends to dilute *vis-à-vis* international pressures.

Building on this, this final chapter is intended to examine and characterize the particular mechanisms underlying the different trade negotiations and which elicit various political dynamics. We then discuss the theoretical implications of our findings in the light of contemporary debates regarding the process of interest definition and articulation in the context of trade liberalization, on the one hand, and the burgeoning literature on trade governance in the Southern Cone, on the other. A concluding section follows.

9.1. Summarizing the argument: “*Policy creates politics*”

The literature has distinguished different policies as generating diverse policy dynamics. As put by Lowi [1964], the policymaking process and the underlying political relationships will change depending on the level of conflict over the policy. Hence, policy determines politics. In a similar vein, Wilson [1983] focused on the impact of policies according to the distribution of both costs and benefits, and identified four types of public policy producing four distinguishable arenas of power. Building on these initial contributions, other models have concentrated on the salience and complexity level of policy domains to elaborate similar typologies. Despite the particular focus of these various models, they have all highlighted that the nuances of the policymaking process vary dramatically as these depend on the particular constellations of interests and articulations that evolve within a particular policy domain or issue.

Similarly, analysts have contended that market reforms in Latin America have ushered different policy dynamics depending on the distribution of costs of the particular policy reform and whether these were certain or uncertain, of immediate or longer term, and uniform or uneven [Haggard 2000; Murillo 2001; Kaufman & Nelson 2004; Schneider 2004; 2005]. Within this scheme, trade liberalization has been portrayed as having uncertain outcomes, with multiple and uneven distributional effects as it affected the allocation of a larger number of resources and the interests of many more actors than more targeted market reforms as in the case of privatization.

However, whereas this definition can more probably be held for unilateral liberalization processes, a closer examination of the patterns of interest definition and articulation across trade negotiations reveals that this categorization does not homogeneously apply to different negotiation processes.

When considered separately and comparatively, symmetric, asymmetric, and multilateral trade negotiations elicit diverse policy dynamics. Our research has attempted to bring to light and explain the particular policy dynamics surrounding trade negotiations on the basis that these processes entail relevant differences regarding the scope of the agenda, the uncertainty attached to it, and the specific expertise requirements.

a) The agendas: coping with uncertainty

For the analysis of the pattern of interest definition and articulation that these negotiations elicit, trade negotiations can be usefully disaggregated in terms of variations in the scope of the agenda, on the one hand, and the uncertainty attached to it, on the other.

The agenda of trade negotiations can be classified in a continuum ranging from narrow to broad agenda, namely, from tariff reduction and market access to rulemaking around the new trade agenda, as in the case of services, investment, and IPRs, among others. However, at the same time, as the agenda gains in breadth and depth, the demand for technical knowledge and expertise increases. As negotiations increasingly concern the regulatory frameworks that structure trade, they require greater technical knowledge and expertise. This is further reinforced by the legalization and judicialization of trade issues as trade agreements may also contemplate the incorporation of dispute settlement mechanisms.

Regarding policy outcomes, trade negotiations entail uncertainty. In fact, uncertainty is one of the most important characteristics of the political world [Hall 2005]. Trade reform and liberalization do not escape this rule. However, when it comes to policy outcomes, symmetric, asymmetric, and multilateral negotiations entail varying degrees of uncertainty. Uncertainty intensifies as the agenda gains in complexity and the number of actors involved at the negotiation table increases, leading thus to longer processes.

As we combine both dimensions – the scope of the agenda and the uncertainty attached to it – the picture gains in complexity.

The activation of actors is expected to increase as the agenda of trade negotiations gains in breadth and depth. Narrower agendas will only capture the interest of actors more directly affected by the negotiation process. Given the limited and marked sectoral character of the agenda, only those actors having clear stakes in expanding or limiting trade opportunities

will be more prone to engage in the process after the launch of negotiations. These most intensely interest groups will attempt to prevent policy capture by competing actors. Contrariwise, larger societal interests will remain rather detached from these processes, as the agendas at play do not impinge on their structure of incentives because of their limited character.

Hence, as the agenda widens to embrace new issues that increasingly imply the construction or harmonization of specific regulatory regimes or the inclusion of transparency and accountability requirements, it is expected to arouse the interest of larger and more heterogeneous economic and societal interests.

Uncertainty works in the opposite direction. The increasing participation promoted by broader and deeper agendas will be to some extent curtailed as the number of actors involved in the negotiation process increases. A larger number of players at the negotiation table will result in longer negotiation processes, as consensus is more difficult to achieve. In turn, as the negotiation process has a longer horizon, policy outcomes become increasingly uncertain because multiple economic issues are moving simultaneously, often in different directions. Domestic actors perceive this process as largely inaccessible and impermeable to their influence, and that their participation will only produce benefits in the long-term.

The increasing complexity of the issues at stake will also deter the participation of large societal interests. This brings us then to the relation between uncertainty and expertise.

b) When coping with uncertainty demands enhanced expertise

The larger the number of issues at stake, the larger the number of actors that will most likely attempt to engage in the domestic process of trade policy formulation as wider agendas are expected to impinge on the interests of more numerous economic and social actors. However, this relation will be weakened as the technical demands of the agenda increase.

As already explained, as the agendas expand to include the harmonization and construction of trade regulatory frameworks, but also in other policy areas, the demand for technical information and expertise expands notably. This means that despite the fact that these agendas involve issues that impinge on domestic regulatory and legal systems embedded in the institutional infrastructure of the economy – as in the case of environment or labour

standards – and they impact thus, on the political incentive structure of a wide spectrum of actors, their activation will be filtered by their trade capabilities and expertise.

Moreover, when combined with the greater uncertainty of the political outcomes because of a long-term process and the large number of negotiating partners, domestic actors have fewer incentives to engage. Despite these challenging requirements, only those non-state actors relying on sound institutional capabilities and technical expertise are expected to display a more active role after the launch of complex and long-term negotiations.

The length of the process and its uncertain policy outcomes also hinders participation. As argued in the literature, when facing long processes collective participation is unlikely to emerge unless actors have strong associations and institutionalized access to policy channels [Schneider 2005]. Therefore, those actors having strong institutional capabilities, and relying on multiple points of access to the decision-making process are expected to actively engage in these long, complex, and certainly uncertain trade negotiations.

Based on these particular mechanisms, the launch of symmetric, asymmetric, and multilateral trade negotiations will elicit different processes of interest formation and articulation across state and non-state actors. The particular agendas and commitments involved in these three different types of negotiations, the various degrees of uncertainty attached to them and the specific expertise requirements have diverse effects on the domestic trade governance. However, the way actors define their interests and collective action strategies to respond and adapt to these international pressures is mediated by domestic institutional arrangements.

9.2. Processes of interest formation and articulation across trade negotiations

From a comparative political economy approach, studies have shown that when it comes to the activation of actors and the definition of their interests and strategies, interests are much more diverse and variable than initially expected in interest-based models because of the complexity of trade reform and liberalization [Schneider 2004b]. However, when combining a comparative and international political economy perspective, as was intended in this study, we find that different trade negotiations elicit particular patterns of interest definition and articulation. The launch of symmetric, asymmetric, and multilateral trade

negotiations create different political dynamics. This has important implications for the literature on interest formation and articulation.

Within classical – and neoclassical – economic theory, studies have explained political outcomes as the result of the material interests of the relevant actors, being these defined more or less directly in terms of the costs and benefits economic theory predicts for each of these actors. These “*materialist political economy*” studies [Hall 2005:130] are most common in trade policy analyses and in the field of IPE. Building on this assumption, studies have predicted the formation of political coalitions along export versus import-competing axes, either from a sectoral or factoral approach, as in the case of the works of Milner [1988], Magee *et al.* [1989], Rogowski [1989], Frieden [1991b], Alt & Gilligan [1994], Alt *et al.* [1996], among others.

From a theoretical standpoint, this approximation to preferences of actors as constant and enduring has been increasingly contended on the basis that institutions taken as the rules of the game and the articulations and interactions among actors also matter deeply in the process of interest formation [Katznelson & Weingast 2005]. Similarly, Hall [2005] has called for an analytical distinction between objective interests as posited by materialist political economy studies, and the actors’ own perceptions of their interests. Given that actors can pursue several – and sometimes conflicting – interests at the same time in a political context dominated by uncertainty, interests and their strategies or their preferences over some courses of action are the result of the process through which actors evaluate the costs and benefits attached to each of their interests and available options.

From an empirical perspective, studies focusing on the political economy of trade reform and liberalization have acknowledged the malleability and fluidity of interests and preferences [Teichman 2001; Tussie 2003d; Lengyel & Ventura-Dias 2004, among others]. To the extent that these reforms exerted simultaneous, contradictory, and sometimes ambiguous effects, ascertaining actors’ preferences a priori turned out to be almost impossible. On the contrary, empirical research on reform showed that interests depended on politics and the political construction of preferences and coalitions [Schneider 2004b]. While these studies have focused on developing and transition economies in the 1990s, their focus has been on the definition and articulation of interests in the context of reforms aimed at liberalizing trade on a unilateral basis [Edwards 1995; Teichman 2001; Weyland 2002]. As countries embarked on regional trade agreements to show the rationality and

predictability of their policies and their long-term commitment to market reforms, while at the same time assumed a clear and active role at the WTO, these studies were complemented by the analysis of the impact of regional and multilateral trade liberalization processes on domestic trade governance [IADB 2002; Tussie 2003; Aggarwal *et al.* 2004; Lengyel & Ventura-Dias 2004].

However, to our knowledge studies have not provided a cross-negotiation perspective to the ways in which state and non-state actors define their interests and collective action strategies.

Building on this notion of interest as the result of a political process and uncertainty as one of the main features of trade liberalization processes, we have delved into different trade negotiations to see under what conditions these promoted different policy dynamics. In the context of trade negotiations, actors act under a great degree of uncertainty, though this can vary according to the specific trade negotiation, which in turn combines with the scope of the agenda at stake and the specific technical requirements. However, the definition of their interests and the strategy design will depend on the cost/benefit attached to each of the possible courses of action, which is mainly given by the political opportunity structure that serves as framework or scenario for their strategic action and which defines the modes of interaction between state and non-state actors, and among non-state actors as well. This political opportunity structure will be largely determined by the specific needs or deficits the state faces when dealing with symmetric, asymmetric, and multilateral trade negotiation.

a) State actors

Since the 1990s, Southern Cone countries have been part of a general trend towards trade liberalization. After pursuing unilateral trade liberalization, governments more actively sought an extroverted strategy in order to further deepen the liberalization commitments undertaken within the structural reform programs as they intended to make their economies more competitive and more integrated within the global economy [Ethier 1998; Bhagwati 1999; Devlin & Estevadeordal 2001; BID 2002]. In a context of increasing globalization, liberalization, and competition for investments, pursuing preferential trade negotiations and supporting stronger WTO rules appear as the most viable option for developing states in order to participate and integrate effectively within the international

economic system. However, within this ample and broad objective, countries still show important differences in terms of the strategic and contingency decisions, as shown by the particular trade strategies finally adopted [Botto & Bianculli 2009b]. As in the case of unilateral trade liberalization – which was to a large extent explained by the interaction of external pressures and actors with domestic policy elites – though facing a similar external environment, countries have pursued quite different trade strategies [Bouzas 2006b]. Argentina and Chile are a clear illustration of the diverse options countries faced and the final strategies implemented. While both countries were active protagonists in this rush to political and economic liberalization, the adaptation to the new patterns and challenges of world market integration has given way to diverse trade strategies.

Trade policy strategies, taken as policy choices, are the result of a complex set of factors, both domestic and international. External pressures will be sifted through domestic variables before translating into actual trade policy choices or strategies. While these can be partly explained by specific structural factors – namely, economic size, degree of openness and structure of comparative advantages, among others – the domestic institutional configuration offers important insights to account for trade policy choices.

Within this study, while recognizing the importance of domestic institutional factors, our objective was to see to what extent symmetric, asymmetric, and multilateral trade negotiations led to different policy dynamics. Hence, the underlying assumption is that the ways in which countries respond to these specific challenges and demands posed by different trade negotiations are path-conditioned or path-dependent. However, to adequately respond to these new and specific challenges, state actors will have to transform and adapt their institutional arrangements. In other words, to what extent do cross-national differences persist?

Unilateral trade reform was a top-down process led by domestic political elites and largely supported by international institutions and actors. The upsurge in preferential initiatives and the active role Southern countries assumed in the WTO were also state-led processes. However, and contrary to realist approaches, these trade strategies were not the result of the decisions and actions of a unitary state actor pursuing a clear national interest. In fact, these strategies are sometimes undertaken in the context of institutional fragmentation and low-level coordination among public agencies. In other words, they are the result of power struggles within the state.

Clearly, as trade agendas expand and broaden to include more regulatory issues, and even participation requirements, in a context of simultaneous trade negotiations, conflicts among agencies are expected to be reinforced and deepened, which in turn may be critical to ensure the stability and sustainability of the country's trade strategy and its negotiation position. Building on our analytical narrative, after the launch of asymmetric trade negotiations, domestic institutional fragilities, and weaknesses will become more evident. Contrariwise, countries showing a unified voice in trade as the policy process is led by a unique agency in a context of high degree of inter-agency coordination seem to have been better prepared to handle these more complex and demanding agendas.

In this sense, the two countries examined here offer fertile ground for analyzing the institutional elements that may favor this unified voice in trade negotiations. From an institutional perspective, studies have highlighted several elements as explaining Chile's policy effectiveness. These include its strong presidential regime, the reduced number of veto players, a comparative low degree of institutional fragmentation, and a relatively high degree of inter-agency coordination [Bouzas 2006b]. When contrasted against the high volatility of trade policies and the difficulties to elaborate a unified position in Argentina, the high degree of institutional fragmentation and the low degree of inter-agency coordination seem to account for these marked differences.

Without totally disregarding the importance of these institutional factors and their role in explaining policy stability and coherence, in the light of our study, and assuming a rather and sociological institutionalist approach, we argue that the coherent and stable trade policy paradigm that has prevailed in Chile is path-dependent. It illustrates the weight of past legacies and the limits these impose on the range of available options.

While the inherited institutional setting imposed strong limitations, these were further deepened by the memoirs of the free-market dictatorship and the three-year period of intense political polarization, that preceded it. This policy legacy marked the relation between state actors and the business elite. On the one hand, the new democratic governments did not question the free-market model imposed by the military regime in exchange for advancing political democratization. On the other hand, the business community accepted some degree of political change, as long as the new government maintained its commitment to market economy. This constituted the core of an explicit pact between both actors, who feared a return to authoritarianism and to the political and

economic instability of the UP, respectively. While Angell [2009] argues that in more general terms, Chile's success after the 1990s can be more directly explained by its pre-1973 history of democracy, Meller [2006] claims that path dependence explains this country's successful trade policy strategies.

When dealing with trade negotiations, state actors face two main needs or requirements: information and expertise, on the one hand, and legitimacy, on the other. In both cases, and building on the literature on governance, state actors cannot rely exclusively on their own resources. In fact, state actors do not only lack the necessary resources to formulate a workable and effective trade policy decision. More importantly still, they need to relate with non-state actors to build the government's legitimacy and base of political support. State capabilities are then the result of its ability to relate and interconnect different resources and agents [Pierre & Peters 2000; Jayasuriya 2004]. When dealing with symmetric, asymmetric, and multilateral trade negotiations, state capabilities rely not so much on the formal and institutional resources attached to the instruments of government, but rather on state actors' ability to define and construct the set of relations that demarcate broad patterns of governance in the trade policy field.

Regarding the particular challenges and requirements posed by trade negotiations, a trait common to the three types of negotiations is the information requirement. This can range from the solicitation of sectoral data and analyses as required by symmetric trade negotiations where the primary emphasis is on gaining market access, to the request of more detailed and complex technical information and expertise as in the case of asymmetric and multilateral trade negotiations. Even when state actors rely on well-trained public officials and trade diplomats, the specificity of the information required can most efficiently be supplied by business actors. The active solicitation of business input is thus intended to compensate or alleviate this perceived vulnerability and to strengthen the national position in trade negotiations. Either on a formal or informal basis, collaboration with the business community turns out to be fundamental to build the technical capabilities and expertise of public officials and trade diplomats, but also to strengthen their base of political support. In sum, policymakers consistently need to integrate the business community, the logical reservoir of this detailed and specific information, into the decision-making process, a need that is even more pressing in the case of North-South and multilateral negotiation processes. As a result, state actors are more likely to promote an

anchoring relationship with business actors, who rely thus on multiple points of access into the decision-making process.

This rather homogeneous pattern across trade negotiations is to some extent altered after the launch of asymmetric trade negotiations. This is because North-South processes introduce another requisite for Southern governments. To promote transparency and democratic accountability in the trade decision-making process, these negotiations introduce the participation of wider societal interests as a fundamental requisite in the negotiation process. As national governments follow the mandate and pressure of their Northern counterparts in asymmetric negotiating processes, as in the case of the FTAA or the negotiation process with the EU, various mechanisms and channels are established to allow for civil society input in the trade policy-making process. Nevertheless, and to the extent that these mechanisms do not respond to a legitimate state interest in promoting the participation of wider societal interests or to a strong societal pressure or demand for change, these will be mainly ad hoc and transitory, and will more probably wane away as the peer-pressure that elicits them, dilutes once negotiations end or come to a halt. An intersection of limited institutional supply because of weak perceived legitimacy vulnerabilities and frail demand for change will not render results above the threshold level at which the barriers of institutional inertia can be broken through. Trade domestic governance arrangements would still favour narrow interests at the expense of wider societal actors.

However, it is clear that asymmetric trade negotiations impose more challenges and requirements on state actors. These agendas portray more demands and requirements for developing states not only regarding the economic agenda, but also in terms of the requisite of participation to promote transparency and democratic accountability in countries where the trade policymaking process is opaque and shows a peculiar isolationist culture. However, as we have already noted, these external pressures will always be sifted through national traditions and the domestic institutional setting.

Hence, when looking across negotiations, two main insights can be derived from this affirmation. In the first place, in the end, these increasing demands on developing countries will entail higher costs in terms of the possibilities of successfully closing an agreement [Botto & Bianculli 2009a]. Integration initiatives are socially constructed and politically contested. In a context of asymmetric negotiation capabilities and expertise among parties,

these more pressing demands imply more challenges for developing countries in order to build consensus. However, when these initiatives include particularly sensitive issues, which may be viewed quite differently in developing and developed countries, together with procedural and governance requirements as in the case of asymmetric trade negotiations, building consensus is a difficult task for policymakers in developing countries. On the one hand, they have to face a stronger and more ample opposition on behalf of domestic actors. On the other hand, they are required to give “institutional” voice to these demands. While these requirements are intended to promote transparency in the decision-making process, when policymakers lack enough power or voice to reach this domestic consensus, asymmetric trade negotiations are likely to lead to lengthy, complicated, and unresolved negotiation processes. Hence, asymmetric trade negotiations are more likely to advance in countries where a strong social consensus on the benefits and the desirability of trade liberalization and trade agreements is already in place.

In the absence of such domestic social consensus, the difficulties to achieve an agreement may be even reinforced by existing regional structures, as in the case of MERCOSUR. In the absence of strong regional coordination and regulatory mechanisms, the regional arena works as a reverberation chamber of these domestic varying interests and preferences and conflicts, increasing hence the difficulties in closing an agreement. These national – and regional – fragilities are more clearly brought to light in the context of asymmetric trade negotiations.

In the second place, the conclusion of asymmetric trade agreements appears to be related to an ex ante condition or initial context. Building on Hall’s notion of policymaking as social learning [1993], we argue that this ex ante condition refers to the establishment of a coherent and stable trade policy paradigm where policy relies on the hands of public officials and experts with long terms in office, which in turn allows more autonomy for the state. Rather than totally “isolating” the state from societal pressures, this autonomy means that the stability and coherence of the trade paradigm offer clear criteria for resisting the demands of some actors, while accepting others. In turn, both the stability on the public side, and the constant dialogue and articulation with a particular set of actors will trigger a “policy network” granting further access into the policy process. Nevertheless, and to the extent that the launch of trade negotiations set in motion different political dynamics, the weight of this ex ante condition or initial context seems to dilute in the context of long-

term negotiations where a large number of actors are involved, all of which makes the policy outcomes more uncertain. Contrariwise, the existence of a stable and coherent trade policy paradigm turns out to be a more important asset when dealing with asymmetric trade negotiations.

b) Non-state actors

Trade negotiations emerge as state-led processes. States are in the “driving seat” of symmetric trade negotiations, but as the strategy intended to reinsert Southern countries in the regional and international scenario and more importantly, to assure their participation in an increasingly regionalized and globalized economy evolves, various non-state actors become gradually involved. On the one hand, this confirms one of the main assumptions within the new regionalism literature. Based on the idea that state actors are but one of the key agents among potentially many, the new regionalism literature acknowledges the complex array of actors that have an effect upon regional outcomes [Marchand *et al.* 1999; Breslin *et al.* 2002b; Warleigh 2004]. On the other hand, it reaffirms that traditional political economy perspectives focused on interest-based coalitions resulting from the redistributive character of trade policies turn out to be insufficient to account for the articulation of interests and collective action strategies in the context of the new trade agenda and the regulatory challenges involved in regional and world trade integration, all of which impinges on the interests of more numerous and heterogeneous constituencies. Translated to our theoretical framework, this means that the strategy based on the negotiation of regional and multilateral trade agreements, increasingly involves not only states but also continuing linkages among state and non-state actors – namely, business and civil society actors. However, these linkages and articulations vary across different trade negotiations.

In effect, when looking at the societal demand, variegated patterns of interest definition and articulation emerge, mainly in response to the particular challenges posed by the different trade agendas at play, being this response, in turn, largely determined by specific organizational features of non-state actors, namely, their institutional leadership and capabilities, and the domestic political opportunity structure.

From a cross-negotiation perspective, as the trade agenda gains in depth and scope, more numerous and heterogeneous actors are activated, and attempt to participate in the new

negotiation process, which contrasts with the first symmetric trade negotiations faced by Southern countries. The sectoral and shallow character of the negotiation agenda make them particularly susceptible to sectoral pressures. Within this negotiation framework, demands focus on either liberalization or protectionism and distributional coalitions tend hence to prevail, as traditionally portrayed in the literature. Still, these negotiations also bring to light the increased economic regionalization resulting from the adoption of varieties of domestic neoliberal policies and the promotion of export growth strategies in the 1990s [Breslin *et al.* 2002b]. This previous regionalization entails a process of integration derived from the interaction of markets, trade, and investment flows [Breslin *et al.* 2002a]. Taken as a societal and a non-state process, the active involvement of those business actors who have already established trade relations, who demand greater liberalization to consolidate and expand access in those markets, shows that “*the de facto, market driven nature of the evolution of regionalization*” preceded “*the de jure, state-driven nature of regionalism*” [Breslin & Higgot 2003].

As the agenda of trade negotiations expands, both economic and wider social interests will be activated. Whereas stakes are more difficult to evaluate to the extent that the policy outcomes appear to be more diffuse and uncertain, these extended agendas are perceived as ambitious and demanding given that they impinge on sensitive issues involving states’ ability to pursue a variety of public policy objectives. Hence, these broader and more intrusive agendas will promote the participation of organized interests having clear sectoral stakes as when dealing with narrow agendas, but also of other societal groups having laxer organizational modes and articulated through mobilization structures, as in the case of social movements and networks, among others. Apart from the specificities of the agendas at play, this enhanced participation is also the result of an implicit learning process, which showed the acknowledgement that trade negotiations were now a fundamental component of the government’s new trade strategy. Even those still showing a defensive position, will prefer to engage in consultation procedures with the government, as they perceive this participation will assure benefits in the medium-term. However, when assuming an explicit attempt to building institutional and technical capabilities, this explicit learning process will show varying results across the business community.

This larger heterogeneity in terms of the actors’ organizational styles, objectives, and thus, in the modes and intensity of their collective action strategies will be to some extent

discouraged by regulatory agendas demanding enhanced trade capabilities and expertise in the context of long-term negotiations where policy outcomes are more uncertain. Involvement in these processes is unlikely to emerge given that the resulting benefits of activation and participation are more difficult to evaluate. Still, and as argued in the literature, collective participation will only emerge in those cases where actors rely on solid associations and institutionalized access to policy channels.

However, when examining the activation of interests and the articulations established between state and non-state actors after the launch of multilateral negotiations, business associations showing well-developed institutional leadership and trade capabilities, and enjoying multiple access points into the trade decision-making process, as shown by the SOFOFA in Chile, failed to produce the required inputs. In this case, not even existing domestic incentives in the form of continuous access to the trade policy process, could override this rather indifferent stance towards multilateral negotiation processes.

Moreover, when looking across countries, an important cross-sectoral variation is observed. The end of the UR and the launch of the Doha Round, which gave unprecedented relevance to the liberalization of agricultural trade in the multilateral agenda, give way to a pattern of cross-sectoral variation. Whereas the input of industrial actors has been negligible, agricultural interests have promoted a collaborative strategy based on the provision of highly technical information. As negotiations advanced in a process that is still underway given repeated failures to attain consensus on key issues that have kept pushing back the deadline, including the recent stalemates, has given way to a working relation between public officials, trade diplomats and relevant sectoral trade associations. Development was also a central element of the negotiation agenda. Nevertheless, labour organizations and civil society actors have not evidenced a pattern of active and constant engagement with multilateral negotiations. Whereas in the case of civil society actors, the lack of resources could be underlying their timid approach towards the multilateral forum, the negligible participation of industrialist interests deserves further attention.

In the case of those industrialist associations whose conversion to the liberal canon was far from complete, this could be more readily explained by their feeble commitment to free trade and the persistence of protectionist attitudes. This lack of participation and input is more puzzling in the case of business associations showing a strong and solid free trade

stance and relying on stable access to the trade policy process and sound technical expertise. This seems to point in two main directions.

In the first place, this further supports the argument that trade negotiations elicit particular trade dynamics. Actors that until then had shown an active involvement in the negotiation of trade agreements and had managed to develop a working relationship with state actors based on the provision of expertise as required in the negotiation of asymmetric trade negotiations will fail to provide similar input when negotiating at the WTO.

Second, this seems to have important implications regarding the learning process. In a world of imperfect knowledge, negotiations can be understood as a learning-by-doing process [Cross 1977; Odell 2006]. Moreover, it could be argued that the specificities of the trade agendas make almost impossible the transfer of already acquired information and expertise across negotiations. Hence, the strong and sound technical capabilities and trade expertise required for the negotiation of North-South trade negotiations cannot easily be reconverted to participate in multilateral trade negotiations. In turn, this means that developing specific technical capabilities would be too costly, especially when facing long-term negotiations where policy outcomes are utterly uncertain. Therefore, only those non-state actors for whom the stakes are high and clear before the WTO will invest in their institutional trade capabilities and develop a continuous and collaborative strategy, which in turn is enhanced by domestic incentives, namely close and cooperative articulation with state actors. Further research on the articulation between state and business actors after the launch of multilateral trade negotiations in developing countries could help us disentangle to what extent this is the norm or an exception, and whether the cross-sectoral variation observed after the launch of the Doha Round persists. For the time being, only those actors having clear stakes and relying on sound technical expertise are most likely to mobilize, namely, agricultural interests.

9.3. Trade governance in the Southern Cone

Southern Cone countries have conformed to the extensive turn to market reform in Latin America. In the aftermath of the 1982 debt crisis, the region embraced far-reaching market reforms, which came as reaction to decades of state intervention and protectionism. Trade liberalization was a fundamental pillar of this market reform program, and as unilateral

trade liberalization failed to promote greater reciprocity in market access, Southern governments would pursue preferential trade agreements and adopt multilateral commitments under the WTO. However, the impact of unilateral reforms was far from homogeneous across countries, but also across sectors. Thus, while in terms of granting access to their own markets, most countries had already made important progress by the early 1990s, in other areas, liberalization had not advanced steadily as in the case of investments [Lengyel 2004]. Hence, and in contrast to the experience of industrialized countries, in the case of emerging countries like Argentina and Chile, by the time, these trade negotiation processes were launched economies were not widely and homogeneously liberalized. In addition, while in the developed world, market-based economies and democratic governance are usually found together, in developing countries the moment these reforms were launched their grasp upon democracy was still rather fragile. Dealing with market reforms and trade liberalization entailed important challenges regarding fundamental democratic governance principles, namely, accountability, representation, and transparency.

Many observers have highlighted the negative impact of market reform programs on democratic governance as the highly technocratic character of these reforms jeopardizes accountability and transparency [Haggard & Kaufman 1995; Teichman 1997; Williams 2006]. Without totally disregarding these negative effects, other analysts have contended that neoliberalism has strengthened democratic survival by enhancing the international protection for democracy and by hindering domestic challenges to democratic stability [Weyland 2004]. The literature has also delved into the impact of regional integration and trade negotiations on domestic trade governance. Even if there is a general assumption that regional integration bolsters democracy and makes states more legitimate, integration does not automatically lead to the enhancement of democracy. In fact, it can either promote liberal democratization by imposing or facilitating new institutional structures on previously undemocratic states [Mansfield & Milner 1999], or make governance less democratic by empowering certain actors or groups, and rendering structures and processes more opaque. Therefore, citizens may find it increasingly difficult to play an active role in public decisions or to hold accountable those who really make policy [Hettne 2000].

Even if during the 1990s, trade negotiations emerged as one of the key points of articulation between state and non-state actors, to our knowledge studies have not fully

developed the impact that trade negotiations have on the domestic governance by assuming a cross-negotiation perspective.

a) Trade governance across trade negotiations

The launch of symmetric, asymmetric, and multilateral trade negotiations entails different policy dynamics, and hence tends to promote varying constellations of interests and articulations. These different processes of interest formation and articulation are mainly explained by the variation in the scope of the agenda, the uncertainty attached to it and the degree of technical requirements. Analyzing the process of interest formation and articulation also demands looking into the institutional setting, that is to say the particular political opportunity structure taken as the specific constellation of both formal and informal resources, institutional mechanisms and channels of access to the decision-making process. As stated in Chapter 3, the channels and mechanisms of access to the decision-making process offer incentives for collective action and contribute to the process of interest definition, the promotion of abilities, and the strategy design.

This conceptualization of the political opportunity structure acknowledges that the structure is not stable and unchangeable [Kitschelt 1986; Kriesi *et al.* 1992; Tarrow 1994]. On the contrary, and building on our analytical narrative, the dynamic character of the political opportunity structure is given by the specific perceived vulnerabilities of state actors. These vulnerabilities – information and technical expertise, on the one hand, and legitimacy, on the other – are crucial to explain why state actors pursue collaboration, with whom, and through which mechanisms. Thus, relevant aspects of opportunity are modified according to the specific needs or vulnerabilities, state actors intend to build on. Moreover, and based on the idea of governance as a relational concept, the political opportunity structure will vary according to the contributions of non-state actors.

From a cross-negotiation perspective, our study confirms the idea that in the case of trade policy, the need for expertise is constant [Aninat & Botto 2005]. Contrary to the perceived vulnerabilities of state actors in other areas of structural reform where the need for technical expertise is restricted to times of crisis, this perceived vulnerability is regular in the area of trade policy. In a context of continuous and simultaneous trade negotiations, the demand for complex information and technical expertise is permanent. Nevertheless,

this perceived vulnerability seems to increase as trade agendas gain in complexity and they move from the reciprocal reduction of tariffs to include the negotiation or harmonization of regulatory frameworks.

However, this resource is not evenly distributed across non-state actors, and tends to be a monopoly of the business community, being this especially concentrated in very competitive sectors and large companies relying on well-organized institutions and endowed with professional cadres.

As analytical and technical requirements seem to exceed the government's need for legitimacy and broad social support, those relying on complex and highly technical information are expected to enjoy greater access to the decision-making process, at the expense of wider societal interests and ideas. In turn, access into the decision-making process will promote the development of these actor's institutional leadership and technical capabilities to the extent that specific business actors will more likely become valuable and irreplaceable interlocutors for public officials. Moreover, to the extent that these articulations tend to rely mostly on informal channels, lacking clear rules of participation and effective procedural criteria, the resulting governance arrangements will not necessarily promote transparency and accountability in the trade policy process. Particular actors will thus become privileged interlocutors of public officials and trade diplomats at the expense of larger social interests who find it difficult to hold accountable those who really make policy.

In sum, broader and deeper negotiation agendas will lead to the search for new forms of coordination and the development of various mechanisms to allow for the input of non-state actors. Guided by the principle of enhancing capacity, governments will enter into cooperative articulations with those actors capable of providing this information. Yet, as these mechanisms will be biased towards the solicitation of information and technical expertise, large business and concentrated economic sectors business actors are expected to become the foremost, if not exclusive interlocutors of state actors.

Though including openness and accountability requirements intended to promote transparency and legitimacy in the decision-making process, North-South trade negotiations did not entail a radical transformation of domestic trade governance arrangements. As argued, external pressures will always be mediated by domestic institutional features. While these requirements may make negotiations more complex and

in time may even hinder the negotiation process and the possibilities of coming to an agreement as in the case of the negotiations within the FTAA, in all cases, the procedural demands of industrialized negotiating partners will not necessarily entail a more democratic trade governance pattern in Southern countries. Their impact is expected to be merely ad hoc if these are met on the domestic side, with the reticence of state actors to open to wider societal interests, on the one hand, and a weak social demand for institutional change to promote more democratic and transparent procedures in the domestic trade policy process, on the other. Unless these domestic side conditions are fulfilled, these governance requirements are not likely to translate into enduring features of the trade institutional setting.

Finally, this “biased” pattern of trade governance towards economic interests could undermine the legitimacy and hence, the stability of trade policies and strategies. However, and based on our analytical narrative, this appears to be a pressing problem in those countries where state actors face more complex, diversified and fragmented societal patterns of interest articulation and aggregation.

b) Trade governance at the intersection of the domestic and the international

Trade negotiations elicit particular policy dynamics, which emerge at the intersection of the particular agendas and requirements they pose to developing countries, on the one hand, and the domestic institutional setting, on the other.

Based on this assumption, and on the idea that global and national are interdependent principles and not antinomies [Weiss 1997; 1999], our study was also intended to see to what extent national variation persisted when facing symmetric, asymmetric, and multilateral trade negotiations. In other words, the idea was to see whether the strategies implemented by state and non-state actors to respond to these particular external pressures and challenges were related to already institutionalized and established patterns, or whether these entailed the articulation of new mechanisms and strategies. In other words, to what extent trade negotiations promote a convergence of public-private articulations across countries.

Comparison across trade negotiations and across countries allowed us to assess the importance of external pressures vis-à-vis national traditions, discussing thus to what extent domestic traditions are a decisive factor or, on the contrary, international pressures exceed the weight of domestic institutionally established arrangements. In principle, we expect domestic factors to show a decreasing relevance vis-à-vis international pressures as the agenda gains in complexity and multilateralization.

From a cross-negotiation perspective, we find that as diversity persists in domestic institutional governance settings, the launch of trade negotiations lead to different public-private articulations being these more marked in the case of asymmetrical trade negotiations. In countries where state and business actors agree on the desirability of establishing closer economic ties with industrialized countries, these processes will lead to a close and collaborative strategy aimed at advancing the country's negotiation position. Contrariwise, in countries where both defensive and offensive business interests still coexisted, a more complex pattern of articulation including pressure and cooperative strategies will emerge.

However, when dealing with multilateral trade negotiations under the WTO, these elicit similar patterns of articulation between state and business actors in both countries. Interestingly, public-private articulations after the launch of the Doha Round present cross-national commonalities, but cross-sectoral variations. Whereas state actors pursue a process of extended inclusion, this is faced with a collaborative strategy in the case of agricultural interests, which contrasts with the difficulties industrial interests face to define and make specific contributions to the country's negotiation position. From an international perspective, this can be explained by the high centrality of agricultural trade liberalization in the Doha Round agenda. From a domestic perspective, even if to some extent domestic tariffs were in some cases consolidated at a lower level than those established within the WTO, the multilateral agenda also included market access for industrial products. Nevertheless, multilateral trade negotiations do not rank high in the agendas of these sectoral associations. The negligible input on behalf of leading business actors, as in the case of the SOFOFA, in these trade negotiations and the cross-sectoral convergence seems to demand further research, especially in the light of existing explanations in the literature. These argue that only those actors having strong institutional capabilities and relying on

multiple access points into the decision-making process are expected to participate when facing long policy processes with uncertain outcomes.

Even if the resulting public-private articulations are path-dependent, when facing more complex and multilateralized trade agendas, the weight of national traditions seem to dilute *vis-à-vis* these external pressures. Understanding under what conditions this convergence is more likely to emerge is still an issue that we believe demands further research.

9.4. Some final remarks

Our more general conclusion is that policy creates politics. In other words, symmetric, asymmetric, and multilateral trade negotiations promote diverse political dynamics.

By focusing on the launch of trade negotiations and its impact on domestic trade governance in the developing world, these findings provide new evidence into the patterns of interest formation and articulation as domestic state and non-state actors attempt to respond to international pressures.

Our study proposes hence a more-detailed analytical framework to capture the complex constellations of actors and strategies that are triggered by the launch of symmetric, asymmetric, and multilateral trade negotiations. From either a regional or multilateral perspective, the literature has acknowledged that the broad and deep scope of the current trade agenda have created a far more testing environment for state actors as far as their capabilities, expertise, and legitimacy are concerned. At the same time, it has promoted the direct engagement of new interest groups, apart from the more traditional distributional coalitions. In this study, we intended to move this idea further and analyse under what conditions different trade negotiations promote diverse policy dynamics. A comparative and cross-negotiation perspective was thus fundamental to show that the scope of the agendas, the degree of uncertainty of the policy outcomes, and the specific technical requirements attached to them, have important consequences for the ways in which domestic actors define their interests and collective action strategies.

Our objective was to deepen our understanding of the impact of different regulatory trade agendas in the developing world, which has remained rather neglected within mainstream IPE. As argued in Chapter 2, without succumbing to the idea of the “*exceptionalism*” of developing regions, studying and understanding how external pressures affect domestic

trade governance in Latin America calls for a more nuanced approach. This is based on two main insights. First, the strong focus of IPE's theoretical frameworks and empirical research on the industrialized world. Second, and contrary to the experience in industrialized countries, trade liberalization in Latin America took place in a rather dramatic way after five decades of closed domestic markets and high protectionism. This means that trade liberalization ran almost parallel to political liberalization and democratization; all of which entailed more complex challenges for governments and societal actors relying on limited institutional resources and capabilities, and whose position in the international scenario is one of rule takers. These specificities and the "*industrialized-centrism*" of IPE make it difficult to elaborate generalizations to other regions such as Latin America.

However, what is notable about the developing world, but also when looking across a particular region as in the case of Latin America is the extent of disparity between countries. Variation across North, Central, and South America is evident in terms of their economic size, level of development and more importantly, regarding their national political economies and their insertion in the world economy. Therefore, we believe these conclusions should be examined in other countries in the region to see whether this variation in the articulation of state and non-state actors across trade negotiation persists. In turn, further research may promote a better understanding of the political economy of the region, while at the same time allowing for a refinement of the model where necessary.

In addition, the study and analysis of the political economy of trade negotiations in the Southern Cone opens several questions for further research. A first question refers to the sustainability of this trade strategy. Whereas the benefits of structural reform are under question, similar disenchantment is also evidenced with regional integration and trade negotiations. Part of the disenchantment may be explained by the biased character of the trade policymaking process towards economic interests. Whereas one would expect this attitude to be more prominent in countries with unstable and fragile trade policies, in fact this is also emerging in a country like Chile. Rather paradoxically, leading representatives of the business community expressed their concerns with a trade strategy that had not led to the diversification of their export production, and called then for the deepening of already existing trade agreements, rather than pursuing new ones²⁵³.

²⁵³ Interviews with different business representatives.

In turn, this leads to a second question, which clearly goes beyond our objective in this study, and refers to the relation between trade and development. To what extent were these strategies aimed at (re-)inserting Southern countries in regional and international investment and trade flows meshed with a self-sustained development dimension?

Finally, we conclude by offering some theoretical implications of the model proposed in this study. In a context of increased globalization and regionalization, there is strong consensus that the study of political economy can no longer be exclusively understood in domestic or national terms. Attempting to seal levels of analysis off from each other seems not only impossible but also counterproductive [Gourevitch 1978; Ikenberry *et al.* 1998]. Even if analyses of cross-level connections have arisen during the last 20 years, there is still place for further research regarding the interaction of the domestic and the international [Gourevitch 2002].

In the first place, our main finding – that policy creates politics – acknowledges the international sources of domestic politics as portrayed in the “*second image reversed*” [Gourevitch 1978; Gourevitch 1986], even if the subsequent impact on international relations is left out of our analysis. Second, the metaphor of “two-level games” to capture the interface between domestic politics and regional and international bargaining as portrayed by Putnam [1988] also offers interest insights. Based on our analytical narrative, we argue that this two-level game logic should not be restricted to formal international negotiation processes. This model connecting the domestic and the international can be productively applied to the study of regional and international trade negotiations.

However, when it comes to the study of current trade negotiations in developing countries, we believe two refinements are necessary. First, the deep transformations of the trade agenda and the regionalization and multilateralization of the political economy of trade policy entail a more complex picture than that originally conceived in the two-level model by the end of the 1980s [Ostry 2004]. Moreover, and as shown by the experience of Latin America countries since the 1990s, developing countries have been increasingly immersed in various and simultaneous trade liberalization scenarios. Building on this, further research into the idea of “*nested games*” developed by Tsebelis [1990] to acknowledge that actors are involved in a whole network of *simultaneous* games, as opposed to the sequential games presented by Putnam [1988], may contribute to our understanding of how the international and domestic interact in the context of trade negotiations in the developing world.

Second, and given that trade negotiations are carried out amidst important asymmetries between industrialized and developing countries, these should be considered when analyzing the domestic impact of external pressures. Moreover, while one could plausibly argue that the leverage of industrialized countries is rather stable across these various negotiation scenarios, in the case of developing countries their influence is expected to vary depending on the specific type of negotiation. This calls then for a more nuanced approach to the influence and leverage of developing countries across different trade negotiation scenarios. To the extent that these will face particular challenges and demands on state actors in the South, different patterns of interest definition and articulation are thus expected to emerge at the domestic level.

ANNEXES

Annex 1

List of trade agreements in Argentina and Chile

1. Trade agreements signed by Argentina (1990-2005)

Partner	Date of signature
Brazil	1990
MERCOSUR	1991
Chile	1991
Paraguay	1992
Mexico	1993
Multilateral Agreement: WTO	1995
MERCOSUR-Bolivia	1996
MERCOSUR-Chile	1996
MERCOSUR-Southern Africa Customs Union (SACU)	2000
MERCOSUR-Andean Community	2002
MERCOSUR-Mexico	2002
MERCOSUR-Mexico (auto sector)	2002
Uruguay (auto sector)	2003
MERCOSUR-India	2004
MERCOSUR-Colombia, Ecuador and Venezuela	2004
MERCOSUR-Peru	2005

Source: SICE (Organization of American States' Foreign Trade Information System), accessed 31 May 2010

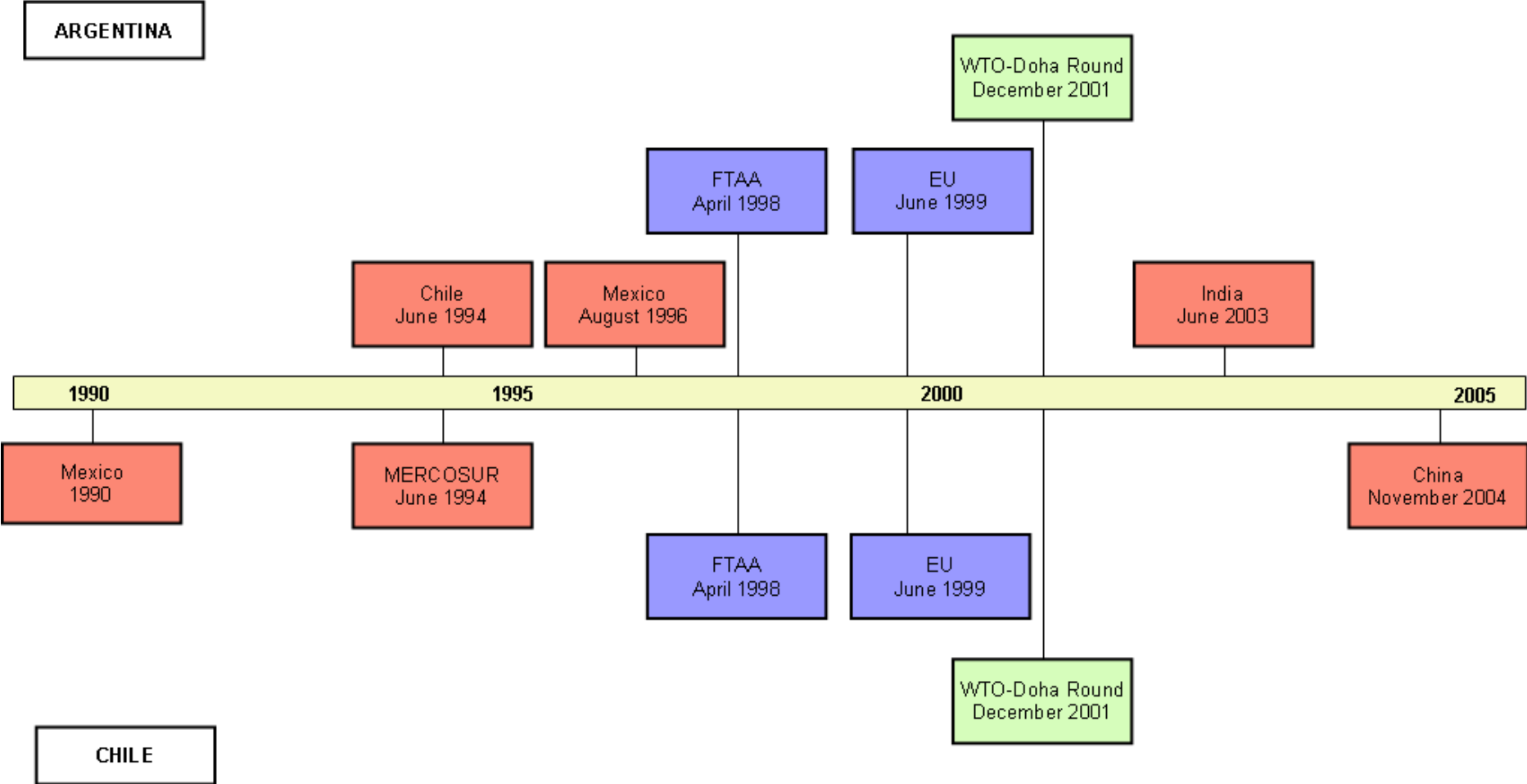
2. Trade agreements signed by Chile (1990-2005)

Partner	Date of signature
Mexico	1991/1998
Argentina	1991
Venezuela	1993
Bolivia	1993
Colombia	1993
Ecuador	1994
Multilateral Agreement: WTO	1995
MERCOSUR	1996
Canada	1996
Peru	1998
Costa Rica, El Salvador, Guatemala, Honduras (Chile-Central America)	1999
European Union	2002
Republic of Korea	2003
United States	2003
European Free Trade Association (EFTA)	2003
Brunei, New Zealand, Singapore (P-4)	2005
China	2005

Source: DIRECON, Ministry of Foreign Affairs, and SICE, accessed 31 May 2010

Annex 2

Timeline: The launch of trade negotiations in Argentina and Chile (1990-2005)



Annex 3

List of interviews

1. Argentina

Name	Position	Institution
Adolfo Aguirre	Secretary	Secretary of International Relations, Central of Argentine Workers (CTA, Central de Trabajadores de la Argentina)
Daniel Berrettoni	Coordinator	Center of International Economy (CEI, Centro de Economía Internacional); Ministry of Foreign Affairs, International Trade and Worship
Roxana Blasetti	Director	National Agribusiness International Relations, Secretariat of Agriculture, Livestock, Fisheries and Food, Ministry of Economy and Production
Rodrigo Bunge	Executive Director	Coordinator for Food and Beverage Industries (COPAL, Coordinadora de las Industrias de Productos Alimenticios)
Raquel B. Caminoa	Manager of Economic Research	Argentine Oil Industry Chamber (CIARA, Cámara de la Industria Aceitera de la República Argentina) - Chamber of Grains Exporters (CEC, Centro de Exportadores de Cereales)
Nora Capello	Adviser, Embassy of Argentina in Chile	Former Embassy Secretary, Direction of North America and Hemispheric Affairs, Ministry of Foreign Affairs, International Trade and Worship
Jorge Carpio	Executive Director	Citizens' Justice and Human Rights Forum (FOCO, Foro Ciudadano de Participación por la Justicia y los Derechos Humanos)
Gabriela Catalani	Technical Coordinator	Focal Point Codex Alimentarius Commission, Secretariat of Agriculture, Livestock, Fisheries and Food, Ministry of Economy and Production
Emiliano Cisneros	Manager of Positioning Strategies and Trade Insertion	Export-Ar Foundation, Ministry of Foreign Affairs, International Trade and Worship
Pablo Ducros	Ambassador Secretary	MERCOSUR Direction, Ministry of Foreign Affairs, International Trade and Worship
Jorge Enrico	Executive Director	Mercosur-European Union Business Forum (MEBF)
José María Fumagalli	Executive Director	Chamber of the Chemical and Petrochemical Industries (CIQyP, Cámara de la Industria Química y Petroquímica)
Gerardo R. Gargiulo	Consultant	Coordinator for Food and Beverage Industries (COPAL, Coordinadora de las Industrias de Productos Alimenticios)
Fernando Lago	President	Public Works Commission, Argentine Chamber of Construction (Camarco, Cámara Argentina de la Construcción)
Adrián Makuc	National Director, Foreign Trade Policy	Sub-secretariat of Trade Policy and Management, Ministry of Economy and Production

Gerardo Martínez	Secretary	Secretary of International Relations, General Confederation of Labour (CGT, Confederación General del Trabajo de la República Argentina)
Luis P. Niscovolos	Minister-Director of Multilateral Economic Negotiations	Ministry of Foreign Affairs, International Trade and Worship
Celina R. Pena	Mercosur Direction	Ministry of Foreign Affairs, International Trade and Worship
Andrés Peña	Commissions Manager	Argentine Chamber of Construction (Camarco, Cámara Argentina de la Construcción)
Félix Peña	Director	Institute of International Trade, Fundación Standard Bank Foundation; former Undersecretary of Foreign Trade, Ministry of Economy (1998-99); Undersecretary of Economic Integration, Ministry of Foreign Affairs, International Trade and Worship (1991-92), National Coordinator of the Common Market Group (Mercosur)
Roberto Pons	Head of Department of Trade and International Negotiations	Argentina Industrial Union (UIA, Unión Industrial Argentina)
María Marta Rebizo	Economist	International Negotiations on Agriculture Institute, INAI Foundation (Instituto para las Negociaciones Agrícolas Internacionales)
Raúl Roccatagliata	Coordinator	Institute of International Negotiations, Argentina Rural Society (Sociedad Rural Argentina, SRA)
Alberto Schilling	Asesor Presidencia/Miembro de Comisión Directiva	Industrial Chamber of Argentine Pharmaceutical Laboratories (CILFA, Centro Industrial de Laboratorios Farmacéuticos Argentinos); Member of the Directive Commission, Interamerican Council for Trade and Production-Argentine Section (CICYP, Consejo Interamericano de Comercio y Producción-Sección Argentina)
María del Rosario Solari	International and Technical Relations Director	Argentine Chamber of Exporters (CERA, Cámara de Exportadores de la República Argentina)
Jorge Daniel Taillant	Executive Director	Center for Human Rights and Environment (CEDHA, Centro de Derechos Humanos y Ambiente)
Mario O. Wittner	Assistant General Director	Argentine Institute of Normalization and Certification (IRAM, Instituto Argentino de Normalización y Certificación)
Jorge Zorreguieta	President	Coordinator for Food and Beverage Industries (COPAL, Coordinadora de las Industrias de Productos Alimenticios); President of Argentine Sugar Center (CAA, Centro Azucarero Argentino) and President of the Department of Trade and International Negotiations (Argentina Industrial Union, UIA/Unión Industrial Argentina)

2. Chile

Name	Position	Institution
Augusto Aninat	Academic Director	MBA in International Negotiations, Universidad de las Américas (UDLA); former Ambassador and Director, General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales) 1990-1993
Héctor Bacigalupo Falcón	General Manager	National Fishing Society (SONAPESCA, Sociedad Nacional de Pesca)
Hugo Baierlein Hermida	Head of Department of Foreign Trade	Federation of Chilean Industry (SOFOFA, Sociedad de Fomento Fabril)
Rodrigo Contreras A.	Head of Department of Market Access	General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales)
Roberto Durán S.	Professor and Researcher	Instituto de Ciencia Política, Pontificia Universidad Católica de Chile
Alicia Frohmann	Director	ProChile, General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales); former Head of Department of FTAA and North America
Ricardo Gamboa Valenzuela	Researcher	Instituto de Estudios Internacionales, Universidad de Chile
Stefan Larenas Riobó	President	Organisation of Consumers and Users of Chile (ODECU, Organización de Consumidores y Usuarios de Chile)
Juan Pablo Matte Fuentes	General Secretary	National Agriculture Society (SNA, Sociedad Nacional de Agricultura)
Mane Nett	President	Chilean Coalition for Cultural Diversity (Coalición Chilena por la Diversidad Cultural)
Rodrigo Novoa Urenda	Executive	Centro Jurídico ILC
Diego Olivares	President	National Union of Workers (UNT, Unión Nacional de Trabajadores); former Director of International Relations, Unitary Central of Workers (CUT, Central Unitaria de Trabajadores)
Coral Pey	Executive Secretary	Chilean Alliance for Fair, Ethic and Responsible Trade (ACJR, Alianza Chilena por un Comercio Justo, Ético y Responsable)
Francisco Javier Prieto Serigos	Head of Department of Services	ProChile, General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales)
Pedro Reus Muñoz	Corporate Vice-manager	Federation of Chilean Industry (SOFOFA, Sociedad de Fomento Fabril)

Gustavo Rojas Lebert	Research and Postgraduate Studies Director	Universidad Tecnológica de Chile, Instituto Profesional, Centro de Formación, Inacap; former Research Manager and General Secretary, National Agriculture Society (SNA, Sociedad Nacional de Agricultura)
Oswaldo Rosales	Director	Trade and Integration Division, ECLAC; former DIRECON Director 2000–2003
Sebastián Sáez	Expert	Division of International Trade, World Bank; former Head of Department of FTAA and North America, General Directorate for International Economic Relations (DIRECON, Dirección General de Relaciones Económicas Internacionales)
Paulina Vázquez C.	International Relations Vice-manager	Association of Manufacture and Services Exporters (ASEXMA, Asociación de Exportadores de Manufacturas y Servicios)
Ivan Vuskovic Villanueva	National President	National Confederation for Medium Sized, Small and Micro Industry, Service and Craftsmen of Chile (CONUPIA, Confederación Gremial Nacional Unida de la Mediana, Pequeña, Microindustria, Servicios y Artesanado de Chile)
Manfred Wilhelmy von Wolff	Executive Director	Fundación Chilena del Pacífico

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