Understanding Developing Countries' Capacities

to

Negotiate Effective Trade Agreements: Colombia

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Abstract

This thesis explores the obstacles (the negotiation machinery, the asymmetric context of power and the international and domestic context) for developing countries in negotiating international trade agreements with the US. By articulating key components of the negotiation theory with personal experience of economic diplomacy and illustrating them through the process of the World Trade Organization agreement in Colombia during 1994, this research contributes to the understanding of the conventional wisdom of international negotiations in developing countries. This work highlights the challenge of international trade negotiations for developing countries (the absence of critical thinking and prescriptive proposals, and the difficulties in making coalitions to challenge the economic powers) as well as the issues (the competitive race for production and trade of high value products), masked under the cold blood of negotiation protocols and the false flavor of choice.

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To my daughters

Julia, Amelia and Isabella

With the hope that they will keep the passion of working for the least fortunate of the world.

Contents

Introduction

In the 1990's, under a trade bias and the need to access the biggest and one of the most protected markets of the world, the US, developing countries embraced with euphoria the idea of liberalization of their economy as the best engine for their economic growth and poverty reduction. However, evidence has shown that these neo-liberal policies in developing countries did not lead to reduction of poverty as is illustrated by the United Nations in their Human Development Index Report 2003.

Today, most people in developing countries still think that a Free Trade Agreement (FTA) with the US will be the miracle solution for their economic problems. However, such evidence is at best weak, because developing countries' trade policy of recent history has not shown satisfactory outcomes. In this thesis, I will highlight crucial points that will contribute to understanding and upgrading the international negotiation capacities of developing countries to carry out effective agreements.

I firmly believe that becoming a developed country is harder every day, because of the new set of international rules for technology acquisition, imposed through the World Trade Organization (WTO) in 1995. In addition, this trend for upgrading development has become more complicated due to the lack of capabilities of developing countries to negotiate international trade agreements.

The idea of writing my research work on this topic and the need for it, struck me while I was interviewing important entrepreneurs in Colombia this past summer, as they believe that export of primary goods is the marvelous solution for upgrading development. In addition they seemed to be applying U.S. principles to Colombian trade policy issues almost blindly and only foreseeing immediate-term effects. The difference in capabilities to achieve development, the difference in market conditions, the difference in international trade negotiation maneuvering capacities between these two different economies are being completely ignored.

In light of three spheres: the negotiation theory; the process of international negotiations and personal experiences --as I happen to be a former economic attaché for the Colombian embassy in Washington D.C.-- I am trying to learn about the main obstacles related to international trade policy in Colombia. Using the case of my country as example of a low middle income country in Latin America, one can view common international trade negotiation obstacles for other countries in a similar category which contribute to the enhancement of negotiation capacities in developing countries.

In the first section, there is a description of today's international trade policy context and its hot issues. The second section describes the most common obstacles of the negotiation process for developing countries. There is a description of the negotiation machinery, its actors and motivations. There is also a description of the asymmetric power context of the negotiation between a developing country and the US, which constrains the negotiation machinery from moving forward in the process. The third section illustrates for the case of Colombia two main obstacles: the negotiation machinery beliefs and the economic problems. The first chapter of this section is an analysis of the factors that influenced Colombia's euphoria on becoming a member of the WTO in 1994. The second chapter is a Colombian economic overview with the objective of illustrating its economic pressures that reduce its bargaining capacities.

Finally, there is a conclusion and a brief recommendation of possible policies that Colombia will need to implement to open a decent future and finally rise.

Moved by the passion to help open opportunities to the least fortunate of the world, the objective of this research is to contribute to the understanding of the developing countries capacities to negotiate international trade agreement with the US as a first stage, and to propose briefly a set of policies for further research.

I. The Dynamism of the International Trade Context

In April 2004, Colombia and the US will start negotiations on their free trade agreement (FTA). Even though it will be a regional negotiation process (Andean Countries)[1], it certainly will be influenced by the winds of the World Trade Organization (WTO) and its orbit of rules. For this reason, I decided to briefly describe a few key international trade issues that will play an important role in the maneuvering and effectiveness of this negotiation.

1. The World Trade Organization

On September 6 1994, the Uruguay Round ended and ratified the establishment of the WTO to replace the General Agreement on Trade and Tariffs (GATT) beginning January 1995. "The WTO is by far the most important institution for evolving and implementing trade agreements."(Khor,2001,p.60) The WTO is one of the only two international institutions created with punishment capacities along with the Security Council at the United Nations.

The WTO should essentially continue the GATT's institutional role; It is supposed to have greater transparency on many of its practices and better understanding by the public of trade rules. It is also expected to be a more conducive institutional framework for the new matters negotiated in the Uruguay Round, particularly services and intellectual property rights. (Jackson, 1995)

[1] Andean Countries: Colombia, Venezuela, Ecuador, Peru and Bolivia.

a. WTO's Decision-Making Procedure and Scope

Since the GATT was signed in 1947, with its basic principle that tariffs must not discriminate between countries, trade has been governed by multilateral rules. The WTO is the system core for multilateral trade rules, with 148 members (Cambodia and Nepal joined in September 2003 at Cancun's WTO meeting). The system is a democratic one that works by consensus, but with no formal procedures. Any one of the organization's 148 members can hold up any aspect of any negotiation. Every country no matter how small or poor, has a veto. Efforts to create smaller informal groups are decried as "non-transparent" by those left out. Furthermore, the WTO's consensus requirement makes it virtually impossible for it to be reformed.

The WTO is more powerful than the GATT because it covers not only trade in manufactures and agriculture, but also services and intellectual property, as well as investment regulation. "It is also committed to an integrated dispute settlement system, which in effect means that if a country does not fulfill its obligations in one area (for instance intellectual property rights) sanctions can be applied against it in another area which hurts it most (for example: its exports of primary products)." (Khor, 1994, p.56)

Actually, the WTO is also likely to co-ordinate its programs and policies with the World Bank and the International Monetary Fund (IMF). The result is likely to be a "cross-institutional conditionality regime. This might involve World Bank loans only being released if the WTO vouches that prospective borrowers have adhered to the WTO rules." (Khor, 2001, p.57)

In the WTO each country has one vote, but since the WTO will depend on the US and the G-7 countries[2] for the majority of its finance, the independent vote quality is called into question. Furthermore, that "democratic advantage will probably be seriously compromised, if not altogether lost." (Sen, 1994) The US and the G-7 also dominate world trade, accounting for two thirds of world trade; they are likely to exercise

[2] The G-7 countries are: The USA, Great Britain, Japan, Germany, France, Italy and Canada.

excessive influence in WTO decisions." The major players will certainly use the WTO for their own interest."(Khor, 2001, p.54)

b. Hot Topics Related to Trade

As globalization proceeds, it is increasingly evident that one nation's economic policies can affect other countries. As barriers can come down by international trade agreements, the private sector starts to talk about it and to push governments for international trade agreements. The main problem for those business people is "price dumping" or selling in foreign markets at a price that is below cost or below the price charged in domestic or third country markets. There is also pressure on governments from labor interests; the problem is "social dumping" or selling goods in the US markets at prices that do not reflect the cost of the US labor regulations and social safety net programs. And for environmentalists, the problem is "eco-dumping" or selling goods in the US market that are produced under less restrictive environmental regulations than the ones that the US firms must meet.

Some countries that claim to see deficiencies in other countries' policies have the pretext of increasing trade protection. Others are committed to freer trade but are concerned about unfair competition and lax standards and environmental issues. Furthermore, there is a question of fairness and its dynamic, because "what constitutes fair or unfair has changed over the years."(Burtless, Lawrence, Litan and Shapiro, 1998, p.90) For instance, in the 1980's, fairness was associated with barriers imposed by foreign governments to block market access by US exporters and investors. In this case, unfairness was seen as industrial policies implemented for other countries and not in the US. In the 1990's, one could still hear complaints about certain closed foreign markets, but since the dispute between the US and Japan over automobiles and parts was over, the complaints were aimed at China.

Furthermore, the hot topics in international trade policies have been masked by the concept of fairness. Taking a closer look, however, the real hot issues are economic interests --mainly for the production and commercialization of high value products-- and political preeminence.

c. Liberalization and Protectionism

As pointed out by Nayvar (1995), it is a mistaken notion that the Uruguay Round was set up to promote liberalization overall. Indeed, the WTO liberalized economic areas where developing countries have the advantage, where corporations could penetrate and capture new markets which were relatively protected by their governments. This is the case for services such as banking, insurance and others. In contrast and at the same time, the WTO gave protectionism in the areas of technology transfer, intellectual property rights and labor services.

i. Trade Related Intellectual Property Rights (TRIPs)

The greatest collective loss for developing countries in the new WTO new regime TRIPs. These are the standardization and enforcement of intellectual property rights, copyrights, trademarks and other such proprietary claims.

For developing countries TRIPs are a real as well as potential loss because, through them, countries are obliged to introduce similar TRIPs rules in domestic legislation to the standards of advanced countries'. Countries that are in the process of manufactory development will not be allowed to imitate technology from industrialized countries. With TRIPs and the proliferations of patent laws, the WTO system imposes an extra cost for industrialization, harming countries like Colombia in an early developmental stage.

TRIPs will also give rise to increasing technology payments, such as royalties and license fees, to transnational corporations owning most of the world's patents.

For agriculture and plant varieties, even tough TRIPs permit the introduction of patents or protection for a trial period of four years. The agreement will then be reviewed and will certainly disallow the traditional practice of saving seeds for the next season's planting (if the seed used is under the intellectual protection of a company),and on the contrary, it will force agricultural investors to purchase new seeds at higher prices.

ii. Trade Investment Related Measures (TRIMs)

With TRIMs in the influence of the WTO, national policies related to foreign investment begin to meet required measures such as local content or an obligation of foreign firms to use at least a specific minimum amount of local input.

The new issue of TRIMs for international trade requirements has serious implications in terms of prohibiting measures that promote local industry and greater linkages to the domestic economy and that avoid protection on balance of payments.

As TRIMs is part of investment and investment is a key player in development, the inclusion of TRIMs under the influence of the WTO can be seen as one step forward to bringing the whole body of investment policy per-se into the WTO framework.

iii. From Multilateral Investment Agreement to Investment Policy per se (MIA)

The objective of the Multilateral Investment Agreement Initiative (MIA) is to "establish an international agreement that widens the rights of foreign direct investors far beyond the current position in most developing countries and to severely curtail the powers of governments to regulate the entry, establishment and operations of foreign companies and investors."(Khor, 2001, p.69)

This initiative has been pointed out as the most important issue through which the WTO attempts to extend the scope of liberalization. The MIA has been promoted in two forums, the WTO and the OECD[3]. However, owing to strong opposition by the developing countries in the WTO and conflict within the OECD, the MIA shifted the focus to a study process and to analysis of the links between trade and investment.

Given the trade sanction possibility, the fear and the tense atmosphere of the WTO; the working group proponents are expected to advocate upgrading the study stage of the MIA negotiations, which would lead eventually to a Multilateral Investment Agreement Initiative.

[3] The OECD countries are: The USA, The United Kingdom, Netherlands, Sweden, Australia, Denmark, France, Japan, Canada, Norway and Finland.

The implications of the acceptance of the MIA are profound. Transnational companies would have the freedom and rights to conduct business in any country, free from the regulations they face today from each particular government. From the domestic government perspective, the MIA means that the government would no longer have the right or the power to draw up their own basic policies or regulations concerning the entry, behavior and operations of foreign companies.

The MIA proponents (developed countries) argue that such rules are the best way to promote the entry of foreign investments in the developing world. The issue, however, is not the desirability of foreign investments. It is about sovereignty, because the MIA will clearly limit the right of local governments to choose the pattern of ownership of investment they want for their country, in which sector and under what conditions. The MIA is also lacking the power to regulate foreign investment to obtain better terms and benefits and the right to promote domestic policies which are essential in the industrialization process of most developing countries.

iv. New Topics Related to Trade

The first WTO Ministerial Conference was in Singapore in December 1996, and it was meant to be a "review conference", in which members were supposed to review the Uruguay Round results. However, "it was clear during the preparation process that reviews and implementation were low on the priority list of developed countries."(Khor, 2001, p.73) Developed countries wanted to use the conference to widen the scope of issues under the WTO's jurisdiction and to give another impetus to global liberalization. This explains why ministers endorsed a new program for the next five years of the agenda, including new topics such as trade and labor standards, trade and investment, trade and competition policy and transparency in government procurement.

Even though developing countries succeeded in postponing these new topics, by using them as a safeguards in the negotiation; afterward, developed countries were able to get those new topics in the conference at the level of working groups, and for future work programs. This means that these new topics are in line to be part of the new set of rules for international trade.

2. Implications of the WTO Agreement for the Potential Development of Developing Countries

Pessimistic presages were openly expressed at the United Nations Conference on Trade and Development (UNCTAD) at the board session in October 1996. The Secretary of the Bangladesh Commerce Ministry, speaking on behalf of the Less Developed Countries (LDCS) group said: LDCS "are not yet well placed to take advantage of the Uruguay's Round opportunities. Instead, the challenges arising from it are more immediate: erosion of preferences, limited number of exportable items resulting in their inability to participate effectively in global trade; higher prices for import of food, pharmaceuticals and essential capital goods; and increased administrative cost of compliance with the Uruguay Round obligations."(Khor, 2001, p.73)

Martin Khor pointed out that "The Uruguay outcome is expected to bring some benefits to those developing countries able to take advantage of certain changes. A lowering of Northern countries' industrial tariffs will benefit those Southern countries with a manufacturing export capacity."(Khor, 2001, p.78)

The Uruguay Round successfully attached other topics to the WTO under the excuse that they were trade related. Those new topics are linked to the possibility of sanctions such as TIPR and TRIMs. The new issues include, as well as trade and investment, trade and competition policy, government procurement and labor standards. The linkage of the above issues to potential trade becomes a shrewd strategy in the negotiation process of developed countries and at length leads to a loss of sovereignty for the developing countries. The device of bringing in new topics, by arguing that they are trade related, has continued to be used in on-going WTO negotiations with the purpose of further opening up developing economies and reducing their competitiveness.

With the WTO agreement in 1995, the world began to participate in a very competitive race for added value markets, with a few participants in good shape mainly in the North and the rest at a disadvantage.

Gareth Porter, Janet Brown and Pamela Chasek, point out these North- South economic relations in Global Environmental Politics: Dilemmas of The Third World "Despite the rapid growth in a number of East Asian economies in the 1980s, the income gap between the industrialized world and the developing world continued to grow. Whereas the richest 20 percent of the world controlled 70 percent of global gross domestic product (GDP) in 1960, the richest 20 percent controlled 80 percent of global GDP by 1997."(Porter, Brawn and Chasek, 2000, p.177)

Evidence is also showing a growing process of poverty in Colombia (U.N., Human Development Index Report. Colombia 2002) and low export outcomes. (Portafolio, September 24 2003.www.Portafolio.com.co Page 1) However, there are still a large number of entrepreneurs and bureaucrats blindly requesting participation in trade agreements under reciprocity conditions as developed countries, even though their economy is not in good shape to compete. Why developing countries leaders do not visualize that their trend for upgrading development has become more complicated?

a. Closing the Gap

The purpose of briefly describing today's modernization process is to highlight clear weaknesses that developing countries should be aware of and that they should consider as a real handicap in trade negotiation. I want to argue that the same level playing field and reciprocity framework imposed within the WTO and accepted by a good number of developing countries is not sustainable.

Technological capabilities are crucial to reach economic development. Professor Alice Amsden in her fascinating book The Rise of the Rest, describes economic development as a "process of moving from a set of assets based on primary products, exploited by unskilled labor, to a set of assets based on knowledge, exploited by skilled labor." (Amsden, 2001, p.3) The greater the "knowledge" assets the easier it is to industrialize and develop a country. In this case, knowledge means technological capabilities.

Amsden recognizes three important dimensions of technological capabilities: production capabilities, which means producing with experience to transform inputs into outputs;

project execution capabilities, in the meaning of managing with skills to expand capacity and; innovation capabilities in the understanding of designing new processes and products.

Furthermore, technology capability in its full dimension is "Knowledge", which is impossible to make or buy. "Knowledge" as manufacturing experience, as wisdom; as the capacity of a country to innovate or apply a new set of ideas becomes intangible.

As Amsden affirms, because technology capability is a combination of facts that interact in intangible ways, consequently technology becomes a tacit, intangible, and invisible asset. The question is how can a developing country acquires this "intangible asset" in order to develop?

I. Acquiring Production Capabilities

The present time, it is much harder for developing countries to acquire their technological capabilities than in the past (1850-1950). Before the 1950s, technology was free and open. Everyone could obtain it and the individual was the main carrier. Technology was codified. Developing countries could acquire these capabilities by pure learning in different forms, such as reverse engineering (copying or stealing), by educating their labor force in an industrialized country, or by working with a foreign company.

Before the 1950's, the "late-comer"[4] countries had room in the international context, to close the skill gap with the North Atlantic countries and Japan with policies of intervention choices. In other words, these countries were permitted to establish institutions that imposed economic behavior on developing countries. For instance, Korea and Taiwan prevented the formation of trade unions by opting in masse for an interventionist institutional solution. Those countries also financed "intermediate assets" or mobilized subsidies to make manufacturing profitable and facilitate the flow of resources from primary product assets to knowledge –based assets. For instances

[4] Includes Argentina, Brazil, Chile, Mexico, Turkey, China, India, Korea, Taiwan, Malaysia, Indonesia and Thailandia.

subsidies for high tech incubators, subsidies for education in high technological fields, subsidies for R&D.

Presently, under the WTO umbrella with proliferation of neo-liberal policies, reciprocity requirements, as well as patents and intellectual property rights, the acquisition of technological capabilities for a developing country is a completely different game.

II. Acquiring Project Execution Capability

A developing country can acquire project execution capability mainly in two ways: foreign direct investment or brain drainage.

After the 1950's, foreign technology as foreign direct investment (FDI) has shown that foreign investment took the form of equity. Later foreign investors participate only financing investment in developing countries looking for ways to take out of the country their money without taking any risk, resulting in a partial impact on the local economy.

The top managerial positions are generally not for local country people so the learning experience in high level positions is not transferred to locals and the spill-over effect is minimized. In addition, there is today a new set of articles in job contracts, where employees must agree to reject any continuation work in the same field or be the carriers for spill over effects. Therefore, foreign direct investment is not any more a way to acquire project execution capabilities.

Brain drainage is the other form for acquiring project execution capabilities. A higher income country is more likely to have a higher quality of life, amenities and resources to successfully achieve "a bird returned strategy"[5] or attract the developing countries' brains. This capability for brain drainage is crucial for development, because educated people with overseas working experiences could play an important role in the acquisition capabilities process as they do not only bring their skills, but also experiences, know how, connections and wider view of the world. The above is another point of weakness

[5] Bird Return Strategy is the name of a policy to induce educated people to return home and participate in the building process of the country.

for developing countries' that should be taking into account for international trade agreements.

III. Acquiring Innovation Capability

Innovation capability can be acquired by education, by investing in research and development (R&D) or by foreign technology transfer. The lack of resources in developing countries and the neo-liberal policies imposed by the "cross institutional regime" (WTO-WB-IMF), reduced the room to subsidized higher education. The neo-liberal policies reduced state budgets for secondary and tertiary education. Under the argument that primary education has the higher profitability of the education process, developing countries were induced to shift the education government expenses mainly to primary education and lacking higher education from state support. Consequently innovation capability in developing countries is small and potentially null.

Research and Development requires a close institutional interaction between productive and academic sectors. This path needs to be strengthened by industrial policy incentives, which are not openly compatible with neo-liberal policies.

The other source to spur innovation could be seen as foreign direct investment transfer. In WTO times, foreign direct investment has never been a perfect substitute for domestic investments in technological capabilities. Foreign investment does not integrate with local institutions such as Universities, and does not invest in R&D overseas. Furthermore, local innovation capability does not take place through foreign direct investment. In addition, foreign investment does not articulate with political organizations nor team up with the domestic international negotiators, therefore their local information will not input the developing country's negotiation machinery.

Normally, these foreign companies are not willing to take important risks and innovate abroad. In contrast foreign direct investment crowded out domestic companies and reduces local potential growth as well as learning capability and technological acquisition.

IV. Role model

Historically, colonialism started a knowledge transfer from old civilizations to the emergent ones. Who came to teach, what was the main motivation and how did these people articulate with locals are one important piece of the developmental puzzle.

The quality of the role model in this process appears relevant. For instance The Japanese entrepreneurs were very good teachers for Koreans and Taiwanese. For Latin American Countries, the US and Europeans have been the role model but they are too far advanced in technology so it can not be acquired.

By highlighting the difficulties in achieving "Knowledge assets" in developing countries, we are facing a globe with high differences in knowledge assets and knowledge acquiring capacities. There are extremely different productivity capacities. It is a world where "The price of land, labor and capital no longer uniquely determines competitiveness. The market mechanism loses status as its sole arbiter, deferring instead to institutions that nurture productivity. " (Amsden, 2001, p.5) Therefore, there is an important group of developing countries that require developmental policies in order to alleviate poverty. Those countries can not be treated in the same playing field as the developed countries.

V. International Support

International momentum is another important piece for the developmental puzzle. Today, In contrast, with the proliferation of neo-liberalism policies imposed by the cross institution conditionality regime, acquiring technological capabilities in developing world international funding has turned almost impossible. In addition, the developing world has been "advised" to compete by getting the prices right, through exchange rates instead of getting control mechanism right through subsiding education or mobilizing resources to buy technology and develop knowledge based assets.Consequently, domestic resources for high education are declining and in addition, private loans to get education overseas are increasingly high by the devaluation rate.

Conclusion

The fall of Soviet Union can be seen for international trade negotiations the death of the enemy for developed countries. It imposed a new set of rules in international trade, requiring reciprocity for any transaction and also setting a common playing field to negotiate international agreements for all countries with out distinction of developmental stages.

With the institutionalization of international agreements under the umbrella of "free trade" at the W.T.O. we are seeing an increasing economic gap between the developing and developed nations. Where developing countries, for survival reasons, are loosing their sovereignty to decide their national policies and best practices.

In conclusion, because knowledge based assets are tacit and proprietary, and today's world order is controlled by the cross institutional conditionality regime, the process of acquiring technological capabilities for developing countries has become extremely difficult and its potential modernization an utopia.

3. The Collapse of Cancun

Looking for a complete picture of the international context, below there is an updated description of the latest world trade talks in Cancun on September 14, 2003.

The World Trade talks broke down in Cancun as a mortal blow to the multilateral trading system itself, a system that for more than half of century has underpinned global prosperity. The Cancun meeting came at the halfway point of the multilateral trade talks of the so-called Doha Development Agenda, launched in Doha, Qatar, in November 2001. The expectations of Cancun's meeting were crucial for the further liberalization of global trade. The Doha Development Agenda was calling for a new system of trade liberalization whose deadline is January 1, 2005.

With the Doha round in tatters, the day when rich countries repeal their farm subsidies, and poor countries finally can sell textiles to the rich world without facing punitive tariffs or political interests quotas, has been pushed far into the future. The chances of concluding the round by the original deadline are now nil, and the possibility to finish in five years is not even clear.

a. The Hot Issues in Cancun's Agenda

On August 14 2003, the US and the EU reached broad agreement on farm trade reform, yet they irked the other WTO members by failing to come up with actual numbers. On September 8, 2003, 146 trade ministers from WTO nations converged on the Mexican beach resort of Cancun for four days of talks.

Agricultural trade reform was the top priority for most WTO members. At the beginning of Cancun's meeting, the developing countries were waiting for the US and European Union to fill in the blank spaces at the rates by which they were willing to cut back their import tariffs or subsidies for farm goods. Rich countries spend about US$300 billion (BT12.2 trillion) a year on agriculture subsidies. This practice has created price distortions in the global market.

In addition to farm trade, a number of other issues were also high on the Cancun's agenda including: trade liberalization in services; market access for non-agricultural products; notification and registration of geographical indications for wines and spirits; protecting the environment; and the improvement of WTO rules and its role in settling disputes.

b. The G-21: Developing Countries New Alliance to Challenge Economic Powers

With or without a WTO agreement on agricultural trade reform, developing countries have displayed at Cancun's meeting a unprecedented unity and clout in global negotiations with the two mega-economies, the United States and European Union.

India and Brazil emerged from tense talks on the farm issue during last Cancun's WTO ministerial meeting as key players to be reckoned with. Together they organized a new bloc of twenty-one developing countries, the G-21, to strengthen their leverage against the superpowers, which were frustrated by their collective voice.

The G-21's combined market of three billion people with control of more than half of global agriculture trade. This new bloc is important not only for developed countries but also for the world economy.

India and Brazil showed strong leadership in forming a cohesive team to negotiate with the US and the EU, realizing that a poor nation dealing alone with an advanced nation did not stand a chance.

The G-21 has demanded that rich countries completely eliminate their domestic production and export subsidies. The group was also pushing for steep cuts in import tariffs and the abolishment of trade distorting measures by the US and the EU. The G-21 members wanted freer and more fair trade of farm goods to help increase both export volume and prices, giving their farmers a chance to improve their quality of life.

After several rounds of talks, the US said it would cut its domestic subsidies while the EU offered a gradual reduction in its export subsidies. Both the US and EU also asked developing countries to open their markets further by slashing import tariffs and trimming trade barriers.

c. The Collapse

The Thai Commerce Minister Adisai Bodharamik said: The bargaining power of the [G-21] group is getting stronger. They didn't allow developed countries to dominate global trade talks anymore. The G-21 did not want any excess flexibility in the negotiations, but was determined to win deep cuts in tariffs and the elimination of both domestic and export subsidies from the developed economies. Following them was the 77-member African-Caribbean-Pacific group (ACP) turning the talks to a mortal blow.

According to the World Bank, "over 70% of the benefits that poor countries might see from the Doha round would come from freeing trade with each other, by refusing to compromise, poor countries have come away with nothing."(The Economist, September 20th 2003,p.11)

d. Who to Blame?

Nearly everybody involved in Cancun's meeting deserves criticism. It is clear that rich countries are not the victims, they could not see farther than the interests of their own farmers. For instance on one hand, "America's unwillingness to curb its cotton subsidies, which have an especially severe effect on poor country producers" (The Economist, September 20th 2003, p.11) on the other hand; "Japan's unyielding defense of its own swaddled rice farmers and the European Union acted as the most aggressive trying to push poor countries to into negotiating new rules on investment, competition, government procurement and trade facilitation, when most of them clearly did not want to."(The Economist, September 20th 2003, p.11)

It seems like the Europeans were looking for distractions in order to boycott any possible advance in the agriculture reform.

Some also blame on poor countries, "There where also many poor countries who saw the Doha round and its promise to be pro-poor, as an excuse for making demands of the rich world while doing nothing to lower their own trade barriers. They forgot that trade talks require compromises. The tragedy for global growth prospects has been blamed also on the inexperience on international trade negotiations and particular national interest of Mexican Minister of Agriculture and Chairman of Cancun's meeting, "some delegates especially from Europe, blamed Mr. Derbez for cutting off discussion too hastily. Although, conspiracy theorist claimed that Mexico ended debate at the behest of the Americans who wanted the meeting to fail all along." (The Economist, September 20th 2003, p.28) There are others who blamed the inflammatory behavior of NGOs from the north which for the first time in history had alliances with the south and push the ACP countries to refuse the Singapore issue.

e. Looking Ahead

The Cancun's Collapse changes the momentum of diplomatic talks for the Free Trade Agreement of the Americas (FTAA). It erased nine years of talks that started in Miami, where 34 American Nations met with the bold vision of building one common region for trade, starting in Alaska and ending in Argentina (except Cuba) with their supposed deadline for agreeing upon on it December 31st 2004.

There are three scenarios that could play or interplay ahead:

First scenario: An optimistic one. In the light that previous trade rounds have all taken longer than schedule to complete and since the initial time table for Doha round was planned shorter than the others furthermore, the Doha round could be revived and successfully completed after all.

Second scenario: The US and the EU will be able to make an agreement and reduce few points of subsidies. They will present a deal to the G-21 and these will accept it. The agricultural trade reform will take place only in these specific countries living out of the bargaining and the agreement the rest.

Third scenario: World trade agreements will not take place and it will be an emergence of bilateral and regional trade agreements instead. The Cancun's events certainly will make the WTO lose credibility. Members will turn to regional trade arrangements and bilateral trade talks, particularly free trade agreements (FTAs) to accelerate free and open trade around the world. The WTO could be undermined by a proliferation of free trade agreements.

Bilateral and regional trade agreements are already in favor with the Bush Administration and in addition a presidential election is looming in the US and starving peasants are not a pressing constituency. On the other hand, the European Union has ten new members to absorb, which also appears distractive from Doha round issue.

In this scenario with bilateral or regional agreements, poor countries have far less sway than they would have at the WTO, because the possibility for coalition is clearly weak.

This can be why American legislators preferred third scenario to deal with developing countries. This is why the US currently is pursuing a regional trade agreement with the American continent while has signed bilateral trade agreements with Chile, Singapore, has begun bilateral talks with 14 more countries and promises many more.

Even though for the past decade, the US appears as the main engine promoting the infrastructure of the global growth and liberalization. In contrast today, there is a clear claim for protectionism in the agenda of Capitol Hill. This growing protectionist sentiment in the US is nursed mainly by the Chinese cheap currency and its huge and growing bilateral trade surplus with the US. The US trade deficit and its debts to foreigners have been elevated while jobs are becoming scarce so there is an increase will for protection. As evidence, the first week of September 2003, two senators from Democrat and Republican parties introduced a bill that will put high tariff on imports from China unless China adjusts its exchange rate.

However, developing countries still blindly requesting the US to start trade negotiations. The Colombian government requested insistently to the US Secretary of Commerce start the free trade negotiations, expecting a special reward for supporting the US in the Iraq war. The US agreed to start the negotiations in April 2004, but under two conditions: first, on an Andean Regional base negotiation and second, requesting Colombia to pull out of the G-21. Those two conditions make a very difficult context for Colombian negotiations.

Regional negotiations instead of bilateral ones will be most difficult for Colombia to achieve an effective trade agreement because the process tends to be more rigid, more formal and with less room for maneuvering. There is also another obstacle: Colombia will be negotiating under no advantage from the US for its cooperation because the other Andean countries did not support the war. In contrast, Colombia could be punished with the rest. In addition, this regional base negotiation in the geography of the world's illicit drug production will impose heavy compromises on the results of the Region's reduction of illicit drug production. Colombia will take the responsibility for other countries' commitment and effectiveness under a clear economic sanction regime of the war against terrorism.

II. The Negotiation Process

The end of the Cold War and the Soviet empire brought into play new political forces and centers of power, and the influence of new issues and new controversies. These forces led to the necessity to reconsider traditional alignments and existing patterns of conflict resolution.

The different results of economic development and the process of interdependence for developing, create new spheres in which nations become increasingly dependent on each other. There is a dynamic process of interdependence between nations and also between spheres. For example, the interdependence between security and economy and between economy and environment. Since security is largely dependent on confidence in government the issues of human rights are also becoming an international concern. Today we see a growing interdependence as the new political situation in the Post-Cold War World.

The essential actor in the international arena is the nation-state but the center of gravity in this process of trade negotiation is the negotiator. This person's skills in negotiating as well as his or her knowledge, experience, intellectual capacity, communication skills and socializing ability usually lead to the outcome of the negotiation. A rigid connection exists between government and negotiators. Consequently, there is not much freedom of action for the negotiators and all "they (can) do (is) maximize their conduct within the limits of the authorized powers."(Kremenyuk, 2002, p.23) Therefore, the outcomes of the negotiation process will depend on the negotiator capabilities but more likely on the domestic and international context of the negotiation.

Under globalization, the real negotiator is not only the person or the negotiator team; it is very complex machinery with multiple actors. It includes not only state and non-state actors but also new international and global actors.

1. The negotiation machinery

The negotiation machinery is integrated by different actors such as: the negotiator team, the state actors, the non-state actors, and the transnational actors. None of them are monolithic, consequently, they have several motivations and they relate to each other creating different tensions.

a. The Negotiator or the Actor on the Stage

Who is the negotiator? Who is the person will play on the stage? Furthermore, who is the "actor"? The actors between whom international negotiations take place are often individuals who have to report back to their governments to a constituency for advice and orders. Furthermore, the negotiator is not a free agent with the power to act as he or she believes and in some cases is representing a mix of contradictory interests. This person should be able to speak from previous domestic negotiations and be able to propose a position that will be taken at a later time.

i. Leadership

The negotiator can be a leader but probably he or she will not be able to develop leadership for different reasons, such as other actors, settings, contexts and powers; "no matter how competent or brilliant a political leader may be, he or she can be effective only if an opportunity exists to exercise influence." (Kremenyu, 2002, p.102)

This capability is better described with the proverbial little Dutch boy who saved Holland from disaster by happening to be on the scene with a necessary finger just as a dike sprang a leak and was about to flood the country. Such a leader is an individual who has both the ability (the finger) and the opportunity to make a difference. In sum, the international negotiator's leadership capability is likely to be only as effective as the surrounding situation makes possible. Leadership will be influenced both by ability and by context.

ii. Negotiator as individual

Kremenyuk in his book International Negotiation highlights key qualities of an effective negotiator, such as flexibility, interpersonal sensitivity, inventiveness, patience, tenacity, international exposure of the individual and his or her strong background. All of them will come into play only if the negotiator has the skill to communicate arguments persuasively at the right moment. The above qualities need to be blended with the current knowledge about the negotiation's topic. In addition, negotiators must have wide and accurate information and the capacity to analyze strategically the possible outcomes of different options.

The above assumes strong inter-institutional capability to communicate and collect updated and reliable data, not only domestically but also from the counterpart countries.

Given the required skills described above, it is unlikely that developing countries will have a negotiator team with these qualities and, in addition, with the opportunity to develop leadership. Therefore, the developing countries' negotiator capacities to negotiate will rely mainly on their ability to deal with power and to form blocks and coalitions, linkages and blackmail.

iii. Mentality and Cognitive Process

There is recognition that bargaining and negotiation are subclasses of social communication. Fisher and Ury in Getting to yes: Negotiating agreement without Giving In (1981), define negotiation as "back-and-forth communication designed to reach an agreement when you and the other side have some interests that are shared and others that are opposed." Stein in 1988 agrees that "without communication there is no negotiation."

Kremenyuk pointed out that once we define negotiation in terms of communication, consequently cognitive factors come to the stage. Communication in the most basic means, "to make common or shared." Shared in the meaning of shared cognitive capacities. The above leads the discussion to the arena of the theory of cognitive capacities, which deals with the way information is processed and messages are interpreted in reference to existing beliefs.

Kremenyuk remarkably explains how this cognitive approach entails a different view of the negotiation process than the concession-convergence focus of most rational- choice approaches. In the past, these rational choice approaches were the streamline of the negotiation process. From the initial bids via mutual concessions to the final outcome. Today, the cognitive approach starts with a hypothesis that is supported by three or more arguments in order to demonstrate its veracity. This cognitive process tends to emphasize resistance to change among negotiating actors. This way to develop knowledge influences the adherences to preconceived beliefs in the face of contradictory evidence.

Developing countries normally do not generate original theories. In contrast, they import theories without adjusting them to their realities. In addition, the cognitive process of the developing countries' elites is built on Northern theories. Normally these theories are formed to please the North's interests.

In sum, even though assuming good intentions for giving concessions, there is a mental constraint to understanding the counterpart position. This issue more likely affects developing countries than developed, because in developing countries there is less data and research to defend a different argument. Or even worse, the developing countries' elites and bureaucrats in a good number of cases do not have any different beliefs, so there is not even a different argument than the Northern countries.

Furthermore, elites from developing countries see to blindly buy all theories from the North. Consequently, their negotiation machinery is not capable of proposing alternative approaches to a particular problem. In contrast, developed countries do have highly educated people and updated information, and they are originating the cognitive theories to please their economic interests.

Conclusion

The ability of negotiators and their leadership capacity to change trends and beliefs in favor of developing countries' potential development is extremely limited. The effective negotiator must have unique personal qualities, but also the appropriate knowledge of the negotiation's topic. The negotiator perhaps counts with the right qualities but probably not with the appropriate context to develop leadership.

Today in 21st century, "economic diplomacy must expect individuals to play a smaller role because of the greater number of actors involved."(Bayne and Woolcock, 2003) In addition,the change in the cognitive process has also affected the international trade negotiation outcomes because the prepare parts will tend more likely to defend their positions and not to listen the counter part realities.

b. Actors located off Stage

In addition to the negotiator team acting on the stage, there are several actors beyond playing an important role and affecting the international trade negotiation outcome such are the state actors, the non-state actors and the transnational actors.

i. State Actors

International negotiations in the 21st century in the North are "expecting an increasing interest and participatory process of new actors such as civil society and non-governmental organizations (NGOs)." (Woolcock,2003, p.45) As a result, the traditional role of business lobbying has now being augmented by a wide range of NGOs. The actors have been increasing, and new relations and tensions have arising between state and non-state actors.

In economic diplomacy, the State is the main actor but it is not monolithic. There are different branches interacting within it, and under lassie faire system, there is room for many minor actors with different positions and priorities. For instance, international trade negotiations involve tensions between the executive and legislative branches or between the economic and labor branches -since 1995, the environment and labor standards began to figure as major potential issues-. This meant that ministries responsible for environmental standards and regulation start to be involved in the negotiations as well as employment or labor affairs.

Furthermore, international trade negotiations take place in three spheres: in the state, domestically and internationally. The expansion of the process that has occurred as a result of these new actors' entering into the system provokes different questions regarding their impact on the decision-making process and its transparency. The impact on the negotiation outcome will depend on the level of authority of the state actor.

Levels of Authority

Because of the increasing number of potential state actors affected by the negotiation outcome, there is a growing domestic battle to participate visibly in these negotiations in order to demonstrate individual power. Therefore, it is important to consider in this picture not only the actors but also their different level of authority, tensions and motivations for acting.

The Executive Branch

In the case of a Latin American Developing Country negotiating a trade agreement with the US; the executive branch will be represented by the President, the ministers and the ambassador in Washington D.C.

Within the executive branch, the ministers and the ambassador has very different motivations. They are civil servants with temporary political authority and are concerned with the implications of the decisions for their own prospects or their party's interests.

Given the fact that trade is in the orbit of the WTO and there is today an inter-institutional conditionality regime (WTO-WB-IMF), consequently the power of the state ambassador in this matter is very high compared with the other state actors.

Low middle income countries in Latin American are highly economically dependent from the US. There is also a permanent pressure to get aid or special treatment from the rich neighbor. Consequently, the Ambassador's performance is more likely to be judged by his or her capacity to meet with high US government officials and to mobilize aid. Furthermore, this measure of prestige influences the Ambassador's motivations and behavior. It also affects their will to debate or fight for domestic concerns. Developing countries' ambassadors in Washington D.C. are happy when they are invited to exclusive parties with US high government officials and have chance to take pictures to fill their main executive desk and show them as their potential power to get special treatment. Ambassadors in order to be invited to the special celebrations and being pictured, they must march along with the US interests and expend a good part of their scarce budget on public relations. Consequently, they normally become more likely part of the staff of the US government under developing countries' expenses.

Ministers in contrast, who have the responsibility of implementing decisions made by politicians, tend to be more concerned with the practicability and the final impact of the negotiation on the developing country. However, their capacity to influence the negotiation process is very limited because it requires not only the domestic knowledge but access to updated international understanding of trade context which requires a fluent communication with the embassy.

Ministers normally do not attend the negotiation process in the US mainly for four reasons: first, because they are overwhelmed with domestic problems that nobody can substitute them; second, developing countries' budgets are normally tight and negotiation process are long and uncertain; third, under scarce resource, for public opinion purposes, it is not convenient for the minister to be in economic diplomacy overseas; and fourth the normally battle of power between the ministers and the ambassador in Washington D.C. makes no sense to spend time and efforts on it.

In practice, developing countries' executive branch actor ends acting mainly under the influences of the ambassador in Washington D.C. Given the fact that trade negotiations are normally long process and in addition those negotiation meetings represent a way for the ambassador to wear out, consequently, he or she normally delegates the economic attaché of the embassy to attend this matter.

The economic attaché is normally in charged of a wide variety of complex topics such as investment, trade, energy, labor standards, agriculture, forestry, environmental issues, transportation, fiscal policy, education, national planning, and fiscal issues. This bureaucrat normally does not count with staff for research, because the priority to expend the scarce budget of the embassy is public relations. At the end, the economic attaché of the developing country's embassy ends up representing the state actor un-prepare. The economic attaché normally shows up to the negotiation meeting without any depth knowledge of the topic, and in company of some private sector representatives who are in general the ambassador's friends. Therefore, the developing nation's actor, in the negotiation, ends normally represented by the economic attaché whose position is normally the ambassador's personal interest. Therefore, the outcomes are extremely limited and with regressive effects.

In contrast, the US negotiator team counts with the overseas' economic attaché and its wide staff with experts for each particular topic. In addition, they also count with the staff from the secretaries as well as representatives from business institutions. Those have a solid nation's position, high institutional participation, updated data and negotiation strategies. In the real negotiation, the developing countries' negotiator team ended overwhelmed by the massive and solid presence of the US negotiator team.

Taking a closer look of developing countries Executive Branch's actor, there is a clear obstacle for effective trade negotiation because two main reasons: first, the lack of resources which constrains institutional capacity, updated information, effective communication between public and private sectors. Second, it is a manipulation issue related with the high economically dependence on the US. This economic dependence generates different personal motivations within the executive branch that are manifested as an internal battle for power between the ambassador and the ministers. Therefore, there is a lack of fluent and effective communication within the Executive Branch and consequently there is an absence of a solid nation's position.

The Legislative Branch

For developing countries, the legislature branch normally will not perform as an ultimate screen in the negotiation process because parliamentarians may find difficult to keep close control over the international trade negotiations. Their lack of information become a high obstacle for their participation in the process. Therefore, the legislative branch is normally involved only in the ratification of the agreements. "The credible power of veto by legislature will oblige negotiators to ensure that the legislature is fully informed to the point that the latter could be said to be engaged in the negotiations itself."(Woolcock, 2003, p.49)

Political Parties

Parties' policies or doctrines and the desire for re-election at a party level set short term motivations objectives. These motivations will play a role influencing government's decisions on international trade negotiations.

The understanding of the motivations and behavior of the developing countries' political parties must be in the light of the high economic dependence of Latin American developing countries on the US such as trade, international debt, expectation of aid, or reward based on cooperation.

Furthermore, political parties will influence the negotiation process by pushing for job opportunities in the short term instead of pushing for industrial policy reforms or subsidies to build knowledge base assets with long term results.

State and Local Governments

Today's international negotiation trade has widening its scope to other issues as environment, labor standards, investment, regulation of insurances, financial services, health and safety regulations. The implementation of those new issues comes under the competence of sub-national government. So, any change of the rules for governing those activities will affect local implementation and its government structure. Additionally new laws can contribute to increase local clusters influencing economic development in particular regions of the nation.

Local bureaucrats from developing countries are busy dealing with local issues. Their mentality is local and their lack of updated information and international knowledge sentenced them to be quiet and excluded from the international trade negotiation process. Furthermore, local developing government actor's participation becomes nil. Therefore, the negotiation process is lack of their input and the outcome of the process does not suit the implementation needs of developing countries.

Independent Regulatory Agencies

Regulatory agencies have "been described as the fourth branch of government (after the executive, legislature and judiciary). In modern economies such agencies appear to be playing a more important role. All of them are very important influencing access to national markets and engaging, to a greater degree in international negotiations." (Woolcock, 2003,p.52)

These bodies include for instance: central banks, financial markets regulators, competition and anti-trust authorities, agencies regulating food and drug safety, access to telecommunications markets and sometimes trade measures. "The use of such agencies is long established practice in the US, where limitations of government intervention have meant that "independent" regulatory agencies have been used to correct market failures." (Woolcock, 2003,p.52)

The trend towards privatization among developing countries had make a growing existence of these regulatory agencies. However, their participation on international trade negotiations is nil. Consequently, developing countries' negotiation machinery do not count with the appropriate information to prevent markets failures during the negotiation process. Therefore, the lack of participation of independent regulatory agencies from developing countries become another obstacle for them to achieve effective trade negotiation agreements.

ii. Non-State Actors

The non state actors are located off the stage. They are business interest groups, trade unions, consumer organizations, national media and national civil society.

Business Interests Groups

Along with the option for business groups to lobby for government protection in order increase profitability or create jobs opportunities, business groups appears as an important non-state actor. Private business actors can take various forms:

-Confederations of Industries: Those confederations have to represent at the same time all kind of interests. Consequently they loose their capacity to study in depth particular problems of sectors. Therefore, they loose their capacity to propose policies.

-Sector Trade Associations: each country normally has a large number of those trade associations with varying degrees of influence. In developing countries these trade associations normally have a general director and a secretary providing a little more than basic and not-to-date data. Therefore, their capacity to provide inputs to the negotiator team and propose actions is nil.

- Individual firms: they do direct lobbying to the government. In developing countries they are few important individual firms so their capacity of directly lobbying directly the executive branch is high. This knowing power reduces their concern to participate in the preparation of the negotiation process. At the end they will jump over the regular process if the final proposal does not fit perfectly their interest. Their behavior reduces private sector participation as well as affects credibility on the process.

Consumer Organizations

Most developing countries have some form of consumer organizations although these can be weak and fragmented. They normally do not have the institution capacity to study in depth the impact of new policies. Their main goal is looking for lower prices of basic goods. As any liberalization of the economy in the short term is justified by lower prices, these organizations in developing countries will support liberalization.

National Media

International negotiations are normally long processes that take place indoors and away from public media participation. Consequently, the media coverage of the hot topics is very limited. It tends to be more like a public announcement of a final deal more than an open debate of the process itself. In addition there is another obstacle for developing countries which is the high dynamism of issues in international trade negotiations and English as the official language of the process, developing countries' journalist have a limited capacity to access and understand in depth the negotiation process. Therefore, international negotiation process is normally covered only for few news papers and particularly for those specialized in economics with extremely limited readers

In addition, there is also a lack of political will to openly discuss the negotiation process' problems, because the Ambassador in Washington D.C. generally is very close to the nations' President and also with the major players of the media. Furthermore, there is a fear of the economic diplomacy officials to be open in criticizing and publicly expressing their concerns and to promote prescriptive changes.

The low capacity of the media to open room for debate and democratize international trade negotiation issues and problems in developing countries contributes to constrain the elite's understanding of trade negotiations among developing countries. Furthermore, the negotiation process and its problems are never openly discussed. Consequently there is no public knowledge about it and in addition there is room to deliberately manage the process indoors and to please personal interests. The poor participation of the media in the negotiation process reinforces the weakness of the content of the negotiation and also lack of transparency in the process which increases the regressive trend of the outcomes.

Civil Society

All the actors considered so far can be linked to a national base of civil society. However, civil society in modern terms consists of non-governmental organizations, which are not market actors, but in developed countries are several and active making deliberate efforts to shape economic policy and influence final regulations.

Developing countries do not count with an organized civil society through such institutions because there are not incentives to create such organizations. Therefore, there are not active efforts to propose alternative policies. The few economic development NGOs are directed by former or potential Economic Ministers who's dream is to be part of the World Bank or the IMF in their future professional career. Furthermore, their mentality and capacity to debate and prescribe policies alternatives for developing countries' benefit is not in their interest.

iii. Transnational Actors

There are other actors off the stage and all around the globe. Those are Global Civil Society, International Business and International Organizations.

Global Civil Society:

Along with globalization and within US preeminence, there have been new challenges for production, investment and policy making. Those new challenges open room for new actors and new organizations that are part of a global civil society and are operating off the stage with important influence on trade negotiation outcomes.

These new actors were created under unknown rules and interests. Woolock remarkably explains the existence of new moving forces under the growth of global civil society. " In recent years there has been a growth of global civil society in respond to the globalization of markets, consumers, environmental groups, and other organizations such as bodies on global issues through cooperation beyond national boundaries" (Woolcock, 2003,p.56). Global civil society's activities can be seen as the beginning of political organizations beyond the nation state. Global civil society's interest has been in opposition to globalization of markets.

These new global organizations are increasingly influencing international issues by relating fairness in human rights, fairness in environment, fairness on labor standards, with trade preferences. These new organizations have an increasingly power to lobby US senators and publicly judge developing countries' governments through their own measures and data. At the end, those organizations contribute to mask US interests by increasing protectionism through the mask of fairness related with trade. This is the case of human rights Watch, Child Labor League, Dolphin Safe and others.

International Business

International business is organized in terms of global membership organizations with the main function to promote open markets "through the scrutiny and lobbying of national governments and international organizations, and the development and promotion of voluntary codes of conduct or rules for business" (Woolcock, 2003, p.56) such is the International Chamber of Commerce, the Business and Industry Advisory Committee to the OECD or the US Council for International Business.

Additionally, there are coalitions of business that come together to pursue specific aims such is the World Economic Forum or the Transatlantic Business Dialogue. There are also global reach companies, such are Multinationals, are transnational actors that pursue their own interests without any particular organization. It can be seen that "Multinationals retain a national interests, reflecting the interests of their home country" (Woolock, 2003, p.61).

Within globalization, there is an increasing tension of powers among actors that are difficult to identify. There is a growth of international and regional business dialogues and activities that undermine the most formal institutional arrangements between national business confederations. Consequently, there is a shift of the focus for business lobbying from national bodies to international organizations.

This new international lobbying system, which is strengthening thanks to globalization, is a game of big firms with dynamic activities that are coordinated in the Northern countries. Developing countries business firms are relatively small and with limited resources for membership to those organizations. Consequently, developing business are not capable to participate. They do not have a voice in these forums, and therefore, their interests are not included in their lobbying agenda.

International Organizations

International negotiations are influenced by International Organizations such is the IMF, WTO, WB, ILO, ISO and others. Even though they are off the stage in the negotiation process, they influenced economic policies waves of thinking in developing countries.

International organizations by themselves do not participate in domestic policy but their research and recommendations through financial loans are clearly influencing developing countries' policy reforms.

2. The Asymmetric Context of Power

a. Negotiation Strategies

A major factor affecting the outcomes of the negotiation process is the differential in power between countries, which leads to an asymmetry capability to influence outcomes. "These differences consist in absolute terms of state capabilities and in relational terms of influence, and they are translated to the negotiation process into the role of tactics" (Kremenyuk, 2002, p.326). This is the strategy of manipulation of commitments, threats and promises that are used as contingents' statements in the context of the negotiation process about future positions or about future allocation of rewards, punishments or both. They are linked in the psychological tradition of the negotiation.

Therefore, the state's negotiation position is determined largely by its ability to employ these tactics in ways that will be believable to the other party. Consequently, credibility is dependent not only on the perceived willpower of the other state to carry out the tactics, but also, on the perceived capability to implement rewards and punishments.

Fischer and Ury (1981) emphasized that other important aspect affecting the influence of power or an asymmetric relation is the differences in the alternatives to negotiate outcomes. Because negotiators should compare the utility of negotiated outcomes with their value of their next best alternative to a negotiated agreement. "Those parties with more favorable alternatives posses a bargaining advantage, both because they have less to lose from the failure of negotiations and because they can use the threat to break off negotiations more effectively as a bargaining tactic." (Kremenyuk,2002, p.327).

Today, the understanding of power has to be seen in the light of the economic and political realities namely globalization and US preeminence. Those realities are shaping trends in the use of sanctions.

Linkage

The negotiation mechanism of linkage is normally used when parties value two issues differently. "When impasse looms because no party is willing to back down from its initial demands, one of the ways that skilled mediators force agreements is by privately assuring one side that a trade is possible. If party A believes it will get what it wants on issue 1(its highest priority), then it will get grant party B what it requires on issue 2 (B's highest priority)." (Susskind,1994, p.83)

Linkage tactic, as former US Secretary of State Henry Kissinger practiced, involved trading things that one side wanted for concessions from the other side. However, the notion of using linkage in negotiation theory has been seen as a way to increase the value of the pie that will benefit both sides and is different than conditionality (which does not creates additional value).

As Lawrence Susskind highlights in his book Environmental Diplomacy, the question is what kind of issue linkage are most helpful and which can get in the way of producing multilateral agreement. However, Ernest Hass (1985, p.374) suggests that some functional connection is required to create a legitimate package, implying that utterly unrelated issues should not be linked because there is no caUSI nexus. "He goes on to say that knowledge can legitimate collaboration behavior only when the possibility of joint gains from the collaboration exists and is recognized"(Susskind,1994, p.92).

In light of the negotiation theory the difference between linkage and conditionality become a function of satisfaction and perception. Furthermore, for a developing country with high economic dependence on the US, where is not second best alternative; the capability to refuse to a conditionality proposal is almost nil. Under shortage of alternatives, any small potential benefit will be seen as a linkage tactic.

However, the increasing inequality between developed and developing countries sets a question about the misinterpretation of this negotiation mechanism. For instance in the 1990's, within the assumption of linkage mechanism, developing countries agree on intellectual property rights. After more than one decade it is not clear that this new rule had increase the pie for all participants. Taking a closer look of the 1990's for Latina American countries where the annual GDP rate for the decade was only 3.3% when the economy of the region during the 1980's in contrast was growing at the rate of 4.7%. Therefore, the shift trend of increasing development on the 1980's to increasing poverty on 1990's can not be ignored today. The above economic evidences show that the pie in reality did no increase benefits for all as the negotiation theory supposed it for that time. The evidences shows that the linkage mechanism in practice benefit only developed countries.

Blackmail

There is also a well known negotiation tactic called black mail, which is simply extortion or other form of interpretation of linkage mechanism. "Unless you give me what I want on issue 1, I will not give you what you want on issue 2'. The negotiation theory considered that this tactic "negative bargaining or threats – certainly does not create value in the eyes of both parties" (Susskind, 1994, p.92). This theory recognizes that in the case that one side blackmail in a negotiation to gain certain advantages by making (believable) threats of this sort, there is a terrible price to pay in damaged relations.

Roger Fisher describes a situation where the parties are constantly pushing to find additional value through linkages to the point that it can create a risky environment of 'self-defeating'. This is the case where the parties start to turn down good agreements that they actually have in favor of theoretical superior outcomes.

Developing countries do not count with blackmail as a negotiation mechanism because their small economies and "the knowing tactic used by the developed countries to break any coalition of the developing ones."(Jaramillo,L. Former Chairman of the G-77. United Nations. Personal Interview, 2003)

Monitoring and Enforcement

The theory of negotiation recognizes that monitoring and enforcement provisions provide more opportunities for contention than any other single aspect of international negotiations. "Because mere enforcement will not necessarily produce the desired results, it is especially important to monitor in ways that enhance" (Susskind,1994, p.99).

Monitoring for compliance focuses on gathering the information needed to punishment noncompliance; which implies the collection and analysis of different kinds of information. Even though that most treaties rely on self reporting, If a country refuses to submit the required reports, or resist independent efforts to validate the accuracy of the reports, then enforcement is stymied. "Without independent monitoring data, it may be impossible to prove and force a non-complying nation to change its behavior." (Susskind, 1994, p.104)

From developing countries' perspective, the reporting process creates needs on staff as well as data requirements that consequently increases government' and private sectors' expenses. There are several cases that new reporting requires a common understanding methodology with the US, such as the reports on foreign direct investment at the central bank in Colombia which changes its methodology for the IMF's standards and their best understanding. This reporting and monitoring system finally becomes a good excuse to open developing countries' governments to the US scrutiny and security intelligence therefore, to welcome the US preeminence.

Decertification

Decertification can be seen as a tactic for enforcement. It is another negotiation's mechanism that works as a tool of power. This tool is performed unilaterally by the US in cases a developing country is not cooperating in the proper way for US interests. This des-certification will be an important input for the US legislative branch in order to approve or disapprove US aid overseas. Decertification is another exclusive negotiation mechanism of developed countries and it is another disadvantage for developing countries in international trade negotiation.

3. Economic Statecraft in US Foreign Policy

It is crucial to understand today's US foreign policy agenda to provide an updated description of the asymmetric context of power as a clear obstacle for developing countries in the negotiation process with the US. Meghan: .O'Sullivan at Shrewd Sanctions: Statecraft and State Sponsors of Terrorism, 2003, beautifully describes how the US foreign policy agenda is a result of a greater perception of thereat and a grander sense of US capabilities in the post September 11 era.

The changing US interests are clearly reflected in the shifting pattern of objectives pursued through foreign policy such are the economic sanctions during the post-cold war. From 1914 to 1990, the US used sanctions against states to constrain or influence the external behavior of a country or to destabilize a regime."(O'Sullivan, 2003, p.15)

Globalization and its new political system also shaped new trends in the use of economic sanctions, shifting them from the nation-state to non-state actors. Those international actors and threats to the US interests explained the shifting profiles of US sanctions in the 1990s and early 2000. During the cold war "the US uses of economic sanctions was mostly unilateral and always directed against other sovereign states. In contrast the post- cold war world, multilateral sanctions imposed through the US became a much larger component of the US sanction strategies."(O'Sullivan, 2003 p.17) For instance, in 1995, President Clinton expanded the practice from penalizing companies (mainly selling weapons or military technology) to ordering the freeze of assets of terrorist groups that were identify as a threat to achieve peace in the Middle East.

From developing countries perspective, the shifting pattern of objectives pursued through foreign policy, and the potential use of economic sanctions affecting different non-state actors becomes a tool that increases dependence on the US. From 1914 to 1990 the dependence relation between the US and developing countries was framed under a sort of "Plan Marshal dream". After the 1990s it shifted on the pattern of dependency close related with the power of the US to support developing countries' governments to pursue democracy.

During the last decade, the Andean Region Countries' foreign policy agenda with the US has been led by illicit drugs issues. Any trade preference such is the ATPA (Andean Trade Preference) has been linkage to cooperation and results on the illicit drug war.

For the case of Colombia, the US approved in 2000 the Plan Colombia, as their military aid to Colombia's government to fight illicit drugs. Colombia has received over 700 million dollar a year as aid from the US, mainly US's helicopters, military training and pesticides to spray the coca and heroine crops. This US aid package to fight illicit drugs traffickers has made Colombia's national security another important factor towards Colombia's dependence on the US.

After three years of the Plan Colombia implementation, it is said that coca crops have reduced on Colombia's soils. However, social conflict is there as well as the total amount of hectares of coca in the Andean Region. US senators are very disappointed because the efforts of the strategy have not change the supply of illicit drugs in the US boundaries.

The Andean Region trade negotiation agenda with the US will be linkage to illicit drug reduction results in the whole Andean Region. Otherwise, economic sanctions could be imposed.

Domestic Dynamics in US Foreign Policy

The winds of globalization and the preeminence of the US affected US foreign policy dynamics by increasing domestic actors an their relations and tensions. The US Congress for instance, has opened its way to play a more active role in international affairs. Congress fell less compelled to defer to the executive branch on matters of foreign policy and more bias to set its own international priorities.

Congress started to use economic sanctions to shape US foreign policy on a broad range of issues. For instance, urged on by religious conservatives, Congress passed the 1998 International Religious Freedom Act, a law that both created a mechanism to identify governments that are severe violators of religious rights and mandated modest sanctions to penalize them."(O'Sullivan, 2003, p.17) There is a similar case for traffic of women or violations of human rights and its correspondent economic sanction.

The rise of all kinds of domestic groups acting on US policy towards specific countries using economic sanctions has been even more striking. However, global political and economic changes not only opened the door to apply new economic sanctions but also to create a domestic opposition to them.

In reaction to the burgeoning use of sanctions by Congress, commercial interests represented in American business groups banded together in the later part of the 1990's and form an Organization such as US*Engage[6] to advance their interests. In their aggressive efforts to use the unilateral economic sanctions in American foreign policy, those new business oriented groups emphasized, thorough out highlighted scholarly work, the significant economic costs that sanctions can impact the US commercial interests or in other cases their doubt on the efficacy of those sanctions. " According to

[6] USA*Engage is an consortium of more than 600 American Business united to oppose the use of unilateral sanctions . See www.usaengage.org (June 13,2002)

commercial spokespeople, the unrestrained use of these measures closed off many important markets to US business, moreover, the opportunity costs borne by American companies were believed to grow each day as countries under US sanctions developed increasingly sophisticated economic ties with European and Asian firms, limiting the ability of US business to resume their previous economic relationships even after sanctions were lifted." (O'Sullivan, 2003, p.21)

Today, those costs have been used by US commercial interests for questioning how those costs have impacted US's economy. How they have been transformed by globalization.

The healthy economic perception of the US had often restricted the reluctance of the US to bear economic costs in the interests of foreign policy. There is no mystery that by promoting the US economic interests abroad, there is a linkage advancing US security and preeminence in the world. However, the concept of "globalization diminished the importance of such temporal assessment; even when the US economy was robust, the importance of maintaining the competitive edge of American business was seen as critical in a global economy with little tolerance for sluggishness of inefficiency."(O'Sullivan, 2003, p.22) Furthermore, cheap prices has been the engine of US foreign policies.

Globalization provides the climate to strength the US commercial foreign policy interests over its strategic goals abroad. Business sector felt justified in pushing for policies that protected their global interests and policymakers in turn, were more receptive to their point of view.

Economic sanctions in the age of Global Terrorism

O'Sullivan in a very persuasive way predicts a greater use of economic sanctions by the US foreign policy during the first decade of this millennium. After the collapse of the Soviet Union the US was uncertain of its enemies and focused on imprecise threats. The attacks on the World Trade Center and the Pentagon clarified the dangers facing the US and its allies. "President George W. Bush's challenged to countries to join the US in the fight against terrorism, while not eliminating the middle ground, firmed up the divide between friend and foe, sometimes in surprising ways. The greater urgency and increased clarity in foreign policy following the events of September 11 encouraged the US to marshal its economic power for foreign policy pursuits. In this endeavor, the use of economic sanctions has been and will continue to be key." (O'Sullivan, 2003, p.285)

There is also evidences in recent US foreign policy that confirm that multilateral sanctions are the most effective form of economic pressure. "The superiority of multilateral sanctions need, not imply that unilateral sanctions are useless, but does strongly suggest that the best unilateral sanctions are those that catalyze multilateral action."(O'Sullivan, 2003, p.300) However, there are cases such Iraq and Libya that began with unilateral American initiative, that support the US leadership for unilateral sanction before multilateral action can be attained. The leadership demonstration capacity to impose such sanctions is a travel band or a weapons embargo, are more harmful for the economy than just imposing the economic restrictions.

In the era of global terrorism and economic globalization, there are important differences on the process of making foreign policy. Under the threats of terrorism, the focus of foreign policy agenda will prioritize on threats posed by terrorism and strategies to combat it. In this atmosphere, Congress will be more carefully to approve executive economic sanctions. "Similarly, activist, ethnics lobbies and American business people will continue their effort to shape US foreign policy according to their interests but their voices will be more muted and their success less pronounced."(O'Sullivan, 2003, p.287)

Conclusion

Under the threat of global terrorism and the strong interest of maintaining the competitive edge of American business -by moving for cheaper prices- and the American preeminence, developing countries are challenged to lobby for trade agreements with an increasing number of actors and under an openly shrewd sanction regime.

There is also an increasing asymmetric context of power that robs developing countries of bargaining capacities. These increasing differences in the negotiation capacities between developed and developing countries generate another disadvantage for developing countries which is the absence of coalitions among them as a meaningful alternative for the international trade talks process. Therefore, the lack of alternatives becomes another obstacle to achieve an effective trade agreement for these countries.

III. The Domestic Context

Domestic issues are relevant in the negotiation process because they affect the power of the negotiating machinery to advance in the process. Domestic context influences the outcomes of the negotiation in two ways: first, the beliefs through positions of the actors and secondly by the pressure generated by economic issues.

1. The Elite's Mentality

The beliefs can better be understood by studying the context of the WTO negotiation in Colombia during 1994. After nine years of the Uruguay Round, there is economic evidence that allows criticism of the WTO outcomes for Colombia's economy. However, what is striking is why the Colombian government and its institutions were not able to visualize the negative impact of the new international regime for the country's economy or if they did perceive the problems for potential development, why did they sign?

Colombia is part of the developing countries that did sign the WTO agreement even though some country's leaders were opposed to it. A significant critique of The Uruguay Round outcome was made by Colombia's permanent representative to the United Nations, then Chairman of the Group -77 Mr. Luis Fernando Jaramillo in 1994: " The Uruguay Round is proof again that the developing world continues to be sidelined and rejected when it comes to defining areas of vital importance for their survival .... The Countries of the Third World have been put in a situation in which they already paid the price of accepting the new terms in different areas of interest for industrialized countries, without obtaining in exchange satisfactory conditions on market access... according to some estimates, the industrialized countries, which make up only 20% of the GATT membership, will appropriate 70% of the additional income that will be generated by the implementation of the Uruguay Round. It would seem that this does not allow one to conclude that Uruguay Round will translate into positive balance to developing countries.....Unquestionably, the developing countries are the losers both individually and collectively." (Jaramillo, 1994, G-77 U.N.)

It appears relevant to describe under what circumstances Colombia accepted these new WTO conditions. What was happening in the minds of Colombian leaders in 1994? Why was there such irrational euphoria for liberalization and globalization? Why did Colombia participate and sign the WTO agreement?

There were four main factors that explain why Colombia embraced neo-liberal policies and agreed to the new rules for development with the WTO. Those factors are: a. New waves of economic policy thinking, b. Domestic development problems, c. Developing countries' elites lack of critical thinking and d. Blackmail.

Globalization is "a sense of the phenomenon emanating from, and largely determined by, the centers of world capital, advanced technology, and it is often presumed human civilization."(Khor, 2001,p.VII) The first question is why did Colombia accept accelerating international economic relations and participating increasingly in globalization?

There are several benefits to participating in international treaties that countries in general accept. These benefits can be seen as different powers that interact with international waves of thinking as well as with domestic issues. As a result, all of them articulate a system which seems to drag into it the mind of the leaders of developing countries.

Professor Larry Susskind, in his book Environmental Diplomacy, highlighted the general benefits for any country participating in international treaties: First, the benefit of being able to shape international policy so that it responds to domestic priorities. Countries are likely to believe in their capability to influence international decisions, they normally have the hope being capable of adjusting the international context for their convenience and by being "out of the loop" this opportunity is closed. Second, the benefit of participation as the chance to set a precedent or strike a deal that will be helpful later on. Third, benefit is national popularity: National leaders can increase their domestic popularity by demonstrating leadership on the world stage. Fourth, it is likely not to make sense to sit out or ignore a treaty entirely because it is a possibility that a treaty signed by others may at some point constitute a new international law that will apply to all countries, whether or not they were signatories.

Factor a: New Waves of Economic Policy Thinking

Additionally, during the time of the Uruguay Round, there were waves of thinking that are relevant to this discussion: the prevalent idea is that trade leads to growth, the evident success of the Asian tigers and the "decline" perception of the Keynesian model.

i. The prevalent idea that trade leads to growth

The pro- trade bias is fascinatingly explained by Bhagwati, 2000. One important factor for this bias is *the US depression of the 1930s*, because it helped to stack the cards in favor of pro-trade forces, providing the ideological momentum for liberal trade. In the 1930's US crisis, the perception that the tariff escalations deepened the depression, which is certainly arguable, was critical and influenced Economic Theory. Moreover, the US was emerging as a major power dominating the shape of the world's economy " the perception grew and persisted that the Smoot-Hawley tariff raising binge, in which virtually every industry was rewarded with its own "made to order" tariff (with the apparent consequence of foreign tariff retaliations and a worsening depression), was a disaster."(Bhagwati, 2000.p.22)

The Theory of commercial policy also influenced a pro-trade bias. "As it evolved from David Ricardo and John Stuart Mill it strongly implied that a nation would profit most by pursuing a free trade policy and that this was true whether its trading partners were free traders or protectionists."(Bhagwati, 2000.p.22) Central to this theory is also the new science of political economy, which focused on trade as an opportunity to specialize in production, to exchange what one produces efficiently and thus to wind up with more rather than less.

In the light of these theories, it is possible that liberalization can induce trade expansion and its expansion will impact positively economic growth. However, this is only true "under three particular conditions: if price mechanisms works well, if the country's trade opportunity is independent of its own trade policy, and if the country has proprietary technology."(Bhagwati, 2000.p.25)

The first assumption is that free trade would ensure trade and domestic production efficiently only if the price mechanism works well (Prices have to reflect true social costs). It is related to the capacity of an infant industry to capture future returns. In the absence of this capacity, even John Stuart Mill warns on this issue by justifying protectionisms. Equally, "if a country's trade in a sector was large enough to confer on it the ability to affect prices, then a tariff could enable the country to restrict its trade and gain more, this came to be known as the monopoly-power-in-trade argument for protection."(Bhagwati, 2000.p.25)

The second assumption can be best visualized with the following example: suppose that by imposing tariffs, you could force open the protected markets of your trading partners. This could justify the use of tariffs, in which case unilateral free trade would not be attractive. "Even Adam Smith was aware of this possible qualification and indeed he considered this question at some length." (Bhagwati, 2000.p.26)

The third assumption for gains in trade is shown by economic history. Under low domestic demand, proprietary technology and the presence of industries with high skilled labor content were key conditions to compete for world trade. "Without proprietary technology, firms in "the rest" never managed to grow on a par with leading enterprises in smaller European countries which, like countries in "the rest" suffered from low domestic demand. Some of the North Atlantic's biggest firms in the nineteenth century emerged in the smallest countries by innovating their way into foreign markets."(Amsden, 2001, p.72)

From Colombia's perspective, given the country's relative low domestic demand, the prevalent idea that trade leads to growth is highly questionable. The probability that trade leads to growth only makes sense for sectors with proprietary technology, highly skilled labor content, with prices reflecting the true social cost, and in the Colombian trade opportunity is its independence of its trade policy. Perversely, free trade could become a threat for the rest of the sectors where imports will flood in and consequently the sectors will lack any possibility to built on export capacity. Furthermore, it closes the potential to build world class firms.

ii. The Asian Tiger's Success

The superlative economic performance of the "four tigers in east Asia"[7] that unilaterally liberalized their trade regimes during the 1950's, has also served to approve the liberalization proposed by the WTO. However, by taking a close look at the Asian tigers' success, the only reason for their incredible economic growth was not the accelerated trading liberalization. Instead, it was a set of other reasons that interacted with liberalization of trade and are not present in developing countries.

Most Asian countries that benefit from the transitions to more liberal trading regimes did not have laissez faire governments as Colombia has, nor did they (except for Hong Kong and perhaps Singapore) that abandon protectionism altogether. In those countries the shift to the export promotion strategy took place through the adoption of important export incentives by making the average incentive for exports greater than the average incentive to import. They also provided selectivity incentives to specific industries. In

[7] Four Asian Tigers are Korea, Singapore, Hong Kong and Taiwan

contrast, full liberalization would not have permitted such continued selectivity and neither would it allow the net exports incentives, there were clear industrial policies.

The success of the Asian tigers is also explained by other factors such as their early manufacturing experience (textiles), the international rules that allowed free technology transfer, their great imitation capacity and the suitable Japanese role model. Furthermore, taking a closer look at the Asian Tiger's economic story, trade liberalization in its full dimension was not a factor.

iii. The Attenuation of the "Keynesianism"

The basic ideas underlying the Keynesian approach are: the principle of effective demand, the possibility of unemployment equilibrium, the working of the multiplier, the crucial role of the state in increasing effective demand through its own expenditures. Industrial policy and protectionism were unquestionable practices.

Why the Keynesian approach lost power: The Keynesian model was really developed for closed economies. This economic theory was supporting government expenditure in order to expand effective demand and rich full employment. But, "the possibility of external trade did bring the possibility of using external markets to compensate insufficient domestic demand. It also forced recognition of the fact that expansionary domestic policies designed to bring about full employment could cause external deficits that would have to meet somehow....Financial markets would not give up the opportunity of being able to control and influence economic policy."(Khor, 2002, p.223)

The world of the 1990's started a financial deregulation and liberalization process across developed and developing countries. "As long as financial markets remain open and capital can move across borders in response to policy changes or expectations, there are clear limitations to the use of Keynesian policies to attain full or near full employment." (Khor, 2001, p.221)The possibility of international capital mobility created a new set of economic problems and the growing political power of finance. Any attempt to increase domestic demand could now bring not only a trade deficit, but also, a flight of capital and consequently pressure on the currency. In the light of these facts, finance policy played a major role in rendering Keynesian policies far more difficult to engage on a national level. Also, the power of finance "created domestic conditions, allowing for greater social tolerance of high levels of unemployment and greater intolerance of inflation. "(Khor, 2002, p.221)

Furthermore, deregulation and liberalization became strong believes, as well as the power of the international financial institutions (World Bank, International Monetary Fund, Inter-American Development Bank) and its policies.

Factor b: Domestic Development Problems

During the 1990s, Colombia was experiencing economic difficulties, with its highest historic inflation rate (32.4%) and unemployment with two digit rate of 10.4%. At the same time, the government's expenses were rapidly increasing, as well as the international debt. The lack of State transparency and the perception of its high inefficiency also contributed to diminishing the power of the Keynesian model and due to those facts; there was a rise of strong will for bringing any new change that opened room to easily accept neo-liberal policies.

Factor c: Elite's lack of critical thinking

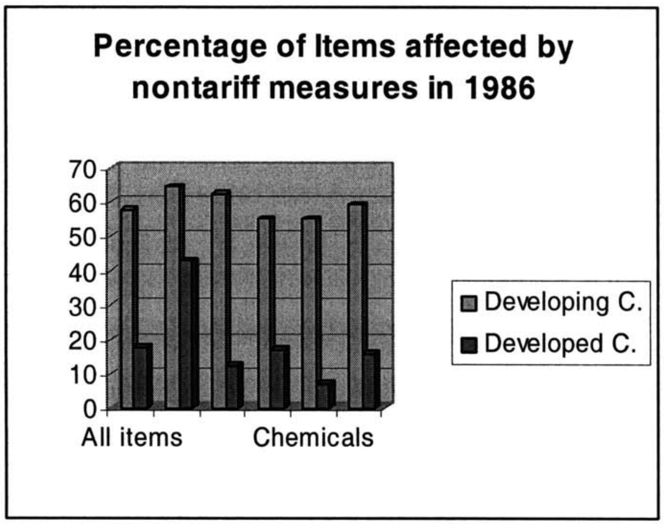
i. The Wrong Perception of Strong Bargaining Capacity

During the GATT period there was a mislead perception of bargaining capacity of developing countries that drove to a lack of being aware of their weak negotiation capacity. Consequently, developing countries lower their priority of being well prepared for the WTO negotiations.

During the GATT times, developing countries ended accommodating to a special and deferential treatment. Enjoying the benefits of increasing market access abroad while being exempted from having to offer greater access to their own markets. " But whereas those acts of omission (agriculture) and commission (the long term arrangement in textiles) were due to political pressures from the powerful, the ability of developing countries to escape symmetric GATT obligations to reduce access to their own markets by others, due to their weakness."(Bhagwati, 2000, p.12) The overall estimate of this incidence was reported by UNCTAD in 1987. There were more than 3 times as high the non-tariff measures for the developing countries as for the developed countries as stain in the figure below.

Figure No. 1

Source UNCTAD[8].



These measures include quotas, prohibitions, restrictive exchange allocations, other financial requirements, price-control measures, automatic licensing and technical requirements.

Conversely, the relative economic trade insignificance of developing countries as Colombia in world trade with 0.1% (Gomez, J. Portafolio,2003) implied that the cost of their asymmetric trade was marginal and insignificant. At the same time, the demands of developing countries could, in consequence, be accommodated by fraying the liberal

[8] Figure 1. Percentage of items affected by non-tariff measures (including quotas, prohibitions, restrictive exchange allocations, other financial requirements, price-control measures, automatic licensing, and technical requirements) applied by fifty developing countries and fifteen major developed countries in 1986. (If two measures affect an item, only the items affected are counted, irrespective of the number of measures they face Items are covered at the four digit CCCN level).

trading regime only at the margin while securing a large and growing membership to the institution that embodied the principals of liberal order. Furthermore, the special and deferential treatment of GATT's time was not the result of a strong negotiation capacity. This misreading led to lack of preparation for the WTO agreement for developing countries such as Colombia.

ii. The prosperous economic growth in Colombia during the 1980s weaker critical thinking

Colombia as several developing countries were showing continuously economic growth during the period between 1950-1980 (Amsden, 2003). These rates were even bigger than in some developed countries. This catching up trend reduced the evidences to push for better conditions for the developing countries. Consequently, the negotiation machinery at all the negotiation process lost the sight of a critical thinking. Therefore, developing countries did not have strong arguments to bargain properly at the WTO negotiations.

iii. Lack of International Mentality

Colombia was a closed economy until the 1990's, which influenced the country's mentality. The lack of participation in international economy blanks the elite of international knowledge and its interests of foreign policies. Therefore, there was a constraint to visualize the challenges for economic diplomacy.

d. Blackmail

This negotiation tactic was used by developed nations in order to break developing countries coalitions. They were active applying the principle divide and conquer. (Interview to the former chairman of the G-77 at U.N. in 1994).

Conclusion

The above four factors illustrate the obstacles that influenced Colombian leaders as well as other developing countries during the negotiation of the WTO agreement.

Developing countries seemed blindly embracing new rules without visualizing the implication for their development. Furthermore, this negotiation process with its protocols and the flavor of choice ended up today by placing developing countries' leaders as perfidious puppets.

Looking for a better understanding of Colombia's capacities to negotiate a trade agreement with the US today, it is important to review its domestic economic context.

2. Economic Pressures

Because of the important differences on economic performance between Colombia and the US, there will be an asymmetric context of power and fear that will host and overview the negotiation process between these two countries.

One simple way to visualize the asymmetric relation of those two countries is by comparing their Gross Domestic Product (GDP) and the Human Development Index (HDI). Colombia is considered a low middle income country from Latin America. With 42 million inhabitants (7 times less than the US's), with 18% of its population under poverty levels and 21% unemployed (The World Bank, 2002, The Little Data Book). Colombia's GDP for the year 2000 was US$81,283 millions, which is 121 times less than the US's and with a GNI per-capita $2,020 which is 17 times less than the US's. It is ranked by UNDP 2003 in the 64 place out of 175 countries, as a medium human development country.

Thirteen years ago, Colombia liberalized its markets, expecting the increase of its exports, and furthermore spurs economic growth and consequently poverty alleviation. The results are the opposite, as it is showed by the decreasing Human Development Index Trend and GDP growth since 1995.

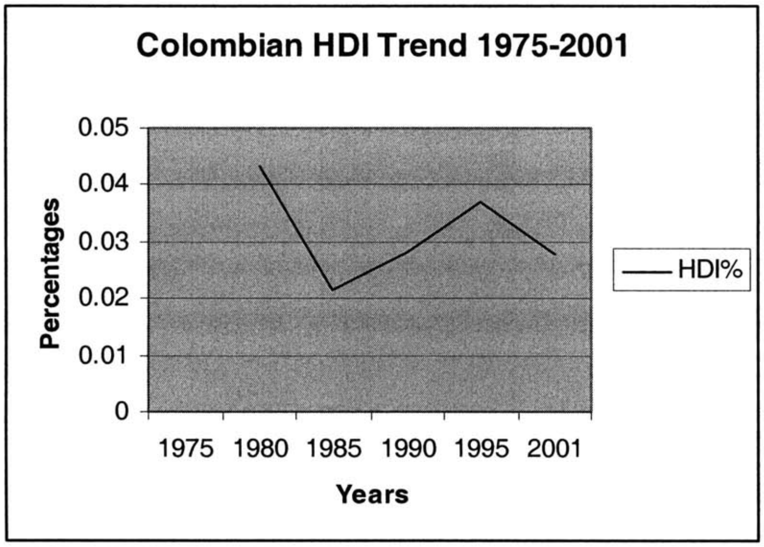


Figure No.2

Source: Human Development Index Report 2002.

UNDP Human Development Index Trends. Page 242

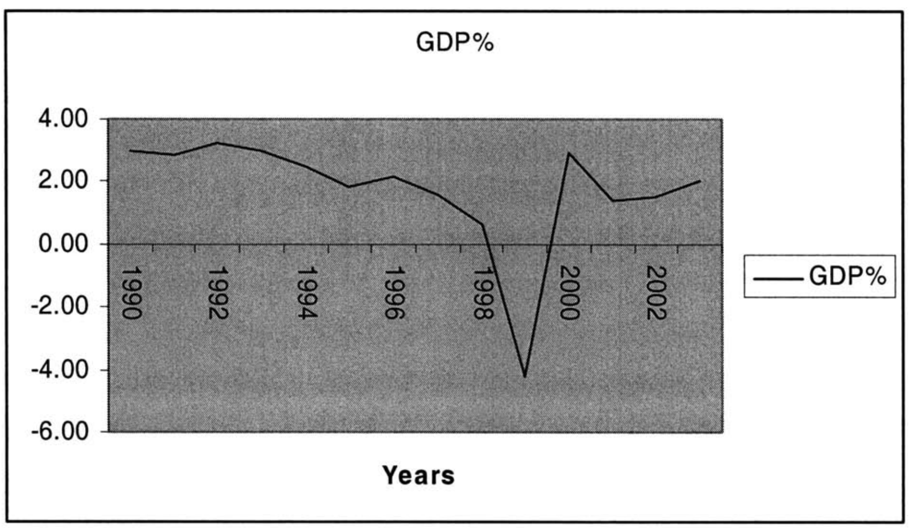


Figure No.3

DANE. Departamento Administrativo Nacional de Estadistica

Estadisticas Economicas 2003

Even though exports have been increasing, poverty has not decreased. In contrast there is a general process of poverty among the country that is increasing inequalities, because the few little gains have been at the expense of the poor. The rich who make up 20% of the population gets 63% of the total wealth as it is shown in the graphic bellow. This negative trend is increasing over the years.

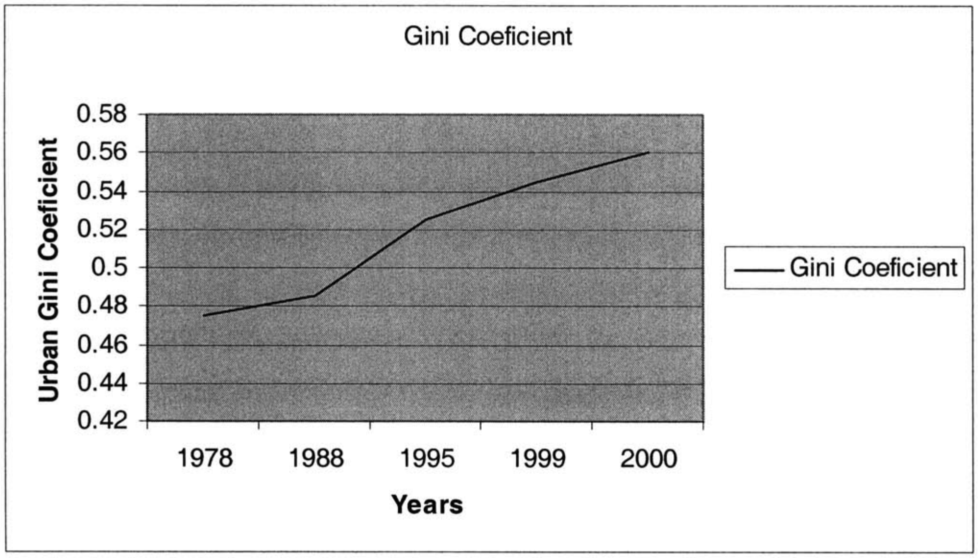


Figure No.4

Source: Cabrera,M. Portafolio Foro Alca, 2003

Inequalities are also meaningful in the geography of the Country. The Colombian Human Development Index Report 2000 highlighted that Colombian National HDI ranked 64. However, there are important differences between urban and rural areas. Urban areas have slightly higher Human Development levels than Cuba (52) or, Mexico (55). In contrast the rural areas have similar development as Algeria (107) or Viet Nam (109).

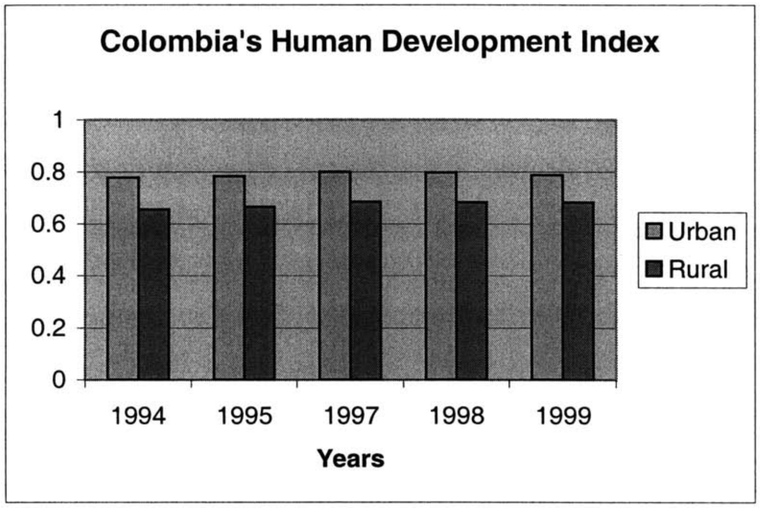


Figure No 5,

Source: United Nations. Colombian Human Development Report.2000, p.234

The growing process of inequalities on income distribution and geographical development (Figures No.8 and No.9) will be nurture for the excluding negotiation process in 2004. Therefore, the outcomes of the trade agreement will reinforce inequalities on income distribution and development in the Country.

The trend of primary exports (61%) as the highest component of merchandise exports will remain constant or even decrease. Because the US already announced that the reduction of subsidies in agriculture is an exclusive topic of the WTO. In contrast, the US is asking to open even more th services and governments expenses to US companies. There will be a re-distribution process of resources from services to other sectors. In the absence of alternatives, this capital will fly overseas and interest rates will increase. Agriculture will be affected by an increasing cost of funding. Therefore, there will be an increasing loss of technology acquisition capacity and productivity in the agriculture sector. At the end, the agriculture sector will loose competitiveness and exports capability. The final result will be an increasing trend of unemployment and increasing poverty levels.

COLOMBIA	1990	2001
Imports goods & services	15	19
as % of GDP		
Exports goods & services	21	19
as % of GDP		
Primary exports	74	61
as % of merchandise exp.		
Manufactured Exports	25	39
as % of merchandise exp.		
High-technology exports	0	7
as % of manufactured exports		
Terms of trade[9]		88

Figure No.6

Source: Human Development Index Report 2003.

The structure of trade. Page 297

Colombia is considered a Commodity (non-fuel) exporter country. The structure of trade is shown on the above table. with 61% of the merchandise exports on primary goods exports as sugar, coffee, palm oil, flowers, bananas and others.

The value of imports and exports were very similar during the 1980s. However, during the 1990's this trend changed and the value of imports turned higher than exports since 1993.

[9] Terms of Trade: The ratio of the export price index to the import price index measured relative to a base year. A value of more than 100 means that the price of exports has risen relative to the price of imports.

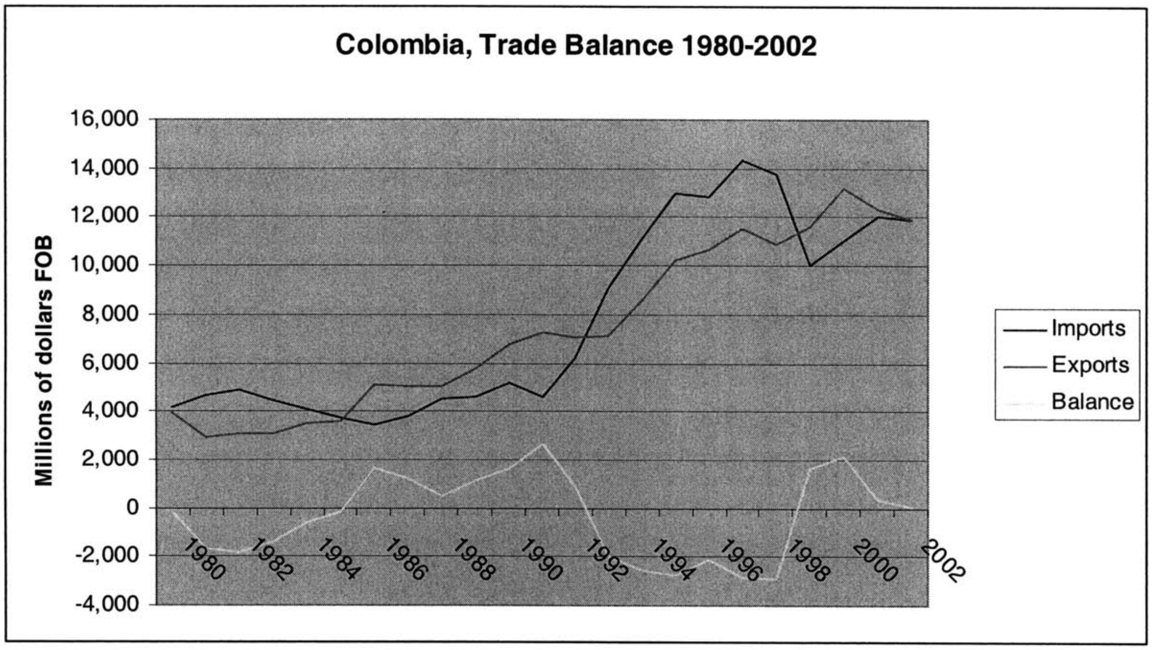


Figure No.7

Source. Banco de la Republica de Colombia.

Colombian three main commercial partners are the US, Venezuela, The Andean Region Countries (Peru, Ecuador, Bolivia). The trade balance with the US (43.4%) is the highest since 1998 and the only one with an increasing trend. In contrast, the trade balance with Mercosur has been negative during the past twelve years and with a decreasing trend. Therefore, The US market seems to be the natural market for Colombian trade today.

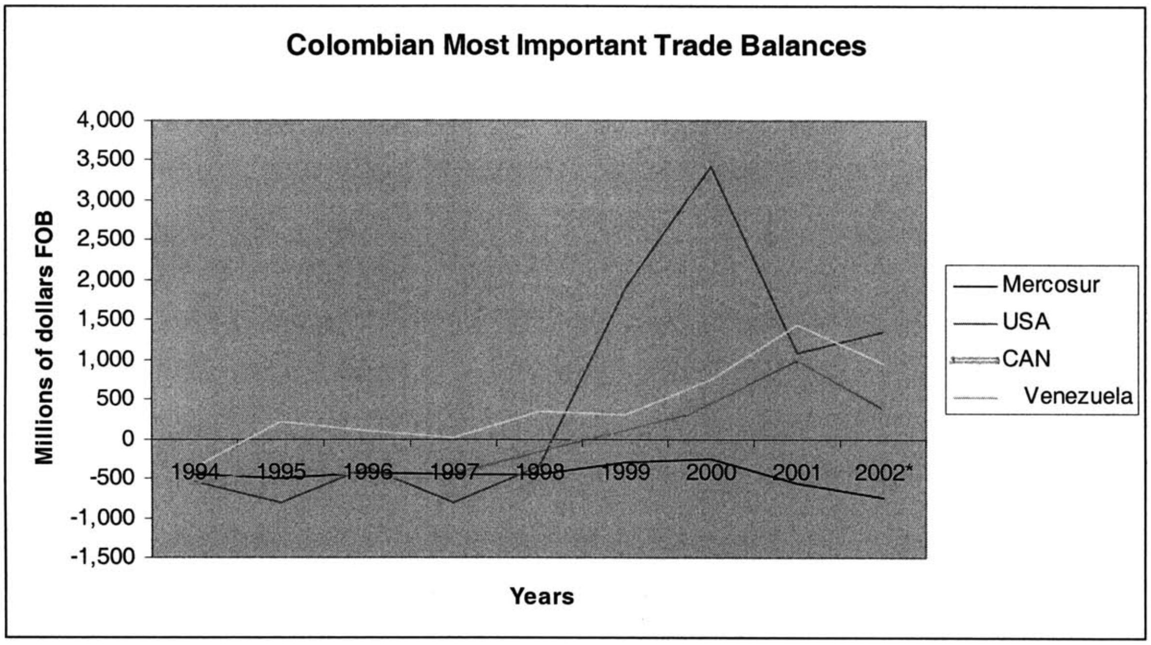


Figure No.8

Source: DANE 2003.

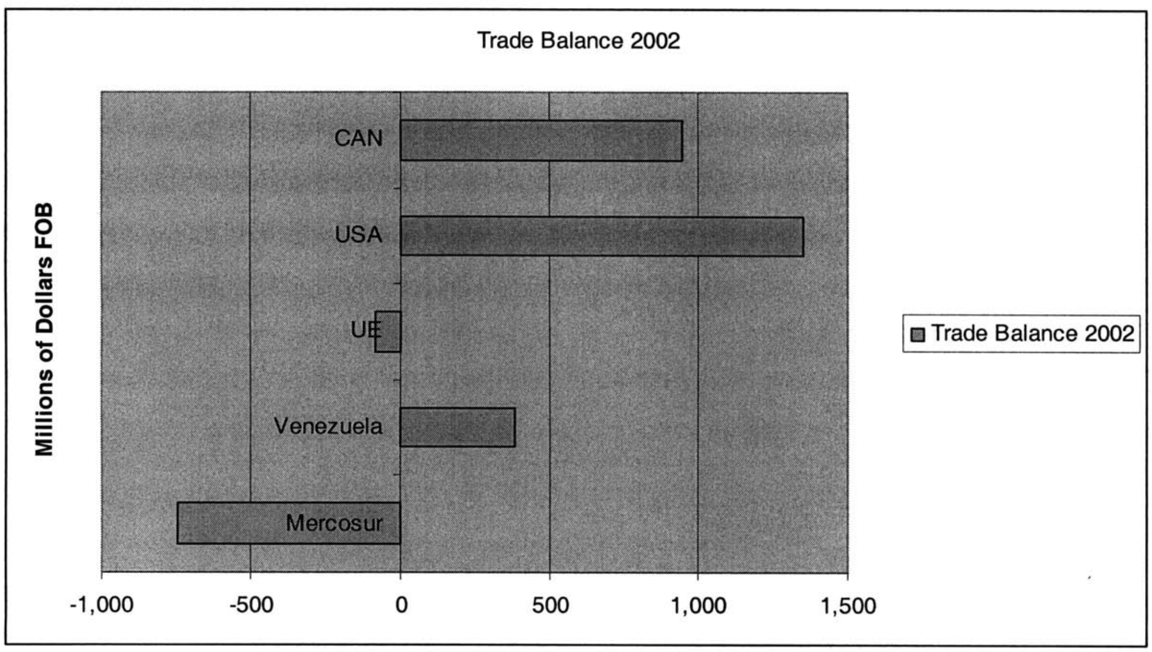


Figure No.9 Source: DANE 2003.

The competitiveness index in 2002 ranked Colombia number 56. Comparing this index with Chile: 20, Mexico: 45 and Brazil: 46; Colombia is considered a country with important constrains and difficulties to develop business and compete. This lack of competitiveness affects Colombia in the negotiation because there will be no interests from the US business groups to move capitals to the country, therefore, there is no lobbying efforts from the US business groups to their government in favor of Colombia.

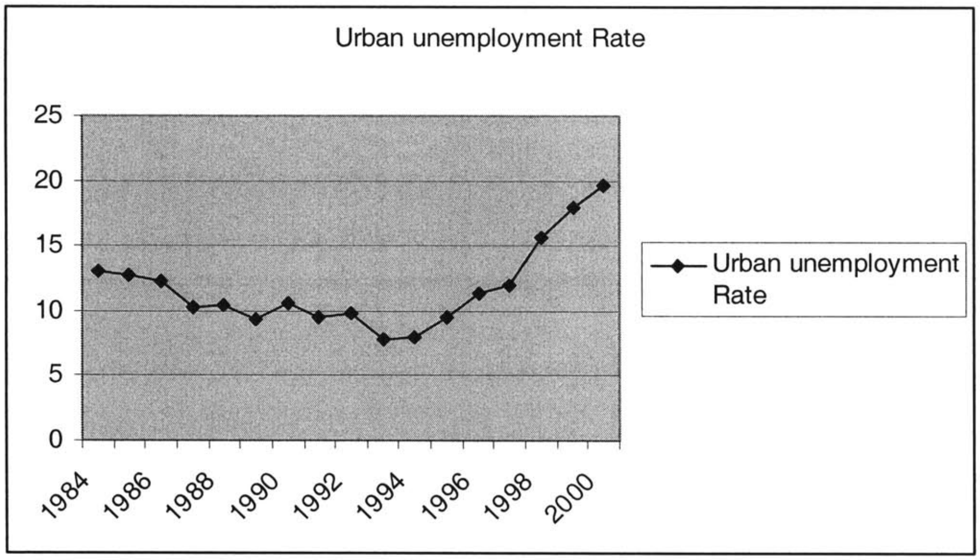


Figure No.10

Source: DANE: Departamento Administrativo Nacional de Estadística de Colombia.

The year 1994 has the lowest unemployment rate of the studied period (1984-2000). Since then, the decreasing trend shifted and started a constantly increasing path reaching 21% for the year 2000.

The high unemployment rates will pressure the negotiation machinery to look mainly for short term effects on the negotiation with the US. Any concession that will give up potential development will be ranked on lower priority.

Colombia's international debt has been increasing as it is shown bellow in figure No.11. For the year 2003 the international debt reached high levels as it represented 52% of the GDP and 60.3% of the total exports of goods, services and income. Those numbers are showing Colombia's increasing dependency on the conditionality regime (WB-IMF-WTO) which can be seen as an increasing dependency on the US.

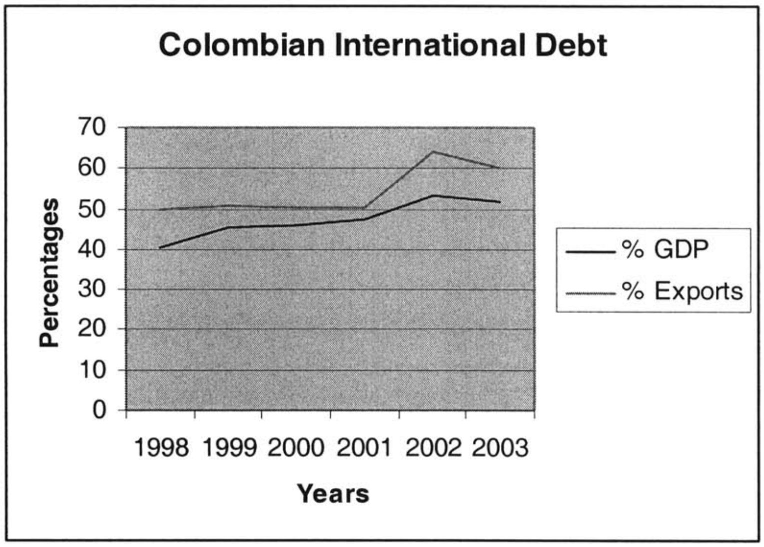


Figure No.11

Source: IMF. Colombia's Country Report, No.03/181

June 2003.

There is an increasing dependency on the US from Colombia's economic survival explained mainly by the international debt and the trade balance. This high dependency robs the country from freedom to make coalitions or to refuse conditionality proposals from the US. Therefore, the outcomes of the negotiation process are extremely limited.

Conclusion

In the 1990's with the establishment of globalization, developing countries embraced with euphoria the idea of liberalization of their economy as the best engine for their economic growth and poverty reduction. However, evidence has shown that these neo-liberal policies in developing countries did not lead to reduction of poverty, as is illustrated by the United Nations in their Human Development Index Report 2003.

Under a trade bias influence, and the need to access the biggest and one of the most protected markets of the world, the US international negotiation of trade agreements appeared as the only option for developing countries to open to potential opportunities for their products and bring foreign capital to spur development and reduce poverty.

The option of negotiating international trade agreements in a supposed context of freedom masked with protocols, and under reciprocity and in equal playing field conditions, has become a trap for developing countries in their potential development. Consequently, today, after nine years of the World Trade Organization agreement and the proliferation of neo-liberal policies, we are expecting an increasing income gap between developing and developed countries. As Gareth Porter, Janet Brown and Pamela Chasek, point out "Despite the rapid growth in a number of East Asian economies in the 1980s, the income gap between the industrialized world and the developing world continued to grow. Whereas the richest 20 percent of the world controlled 70 percent of global gross domestic product (GDP) in 1960, the richest 20 percent controlled 80 percent of global GDP by 1997" (Porter, Brawn and Chasek, 2000, p.177).

The basic theory of negotiation supposes that two or more parties negotiate if everyone will get some benefit through the negotiation. This process is framed as a trade off between two different parties. One is a developing country, with lack of capacities to negotiate an effective trade agreement with the US, and the other is the US, with the interest to maintain the production and commercialization of high value products. Therefore, the negotiation of liberalization policies, with trade as a distraction has become a pervasive trap for developing countries' potential economic development[10].

This trap can be illustrated by the Chinese finger trap game, not in its elegant simplicity but in its unexpected power and destructive consequences. J. Rubin describes this game as "a woven straw cylinder a few inches long, the opening at each end was just large enough for a child's finger to be inserted-and trapped. One tried to escape, of course by tugging in opposite directions, but the harder one pulled, the tighter the fabric stretched around each finger. Only by pushing inward, by moving counter to the direction in which escape appeared to lie, could one get free."

Attracted by the potential access to the American market and the possible arrival of foreign capital, developing countries accepted liberalized economic sectors where they had the advantage. Under such agreements, foreign corporations could penetrate and capture new markets that were relatively protected by their governments such as

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[10] Understanding economic development as Professor Alice Amsden in her fascinating book The Rise of the Rest, describes it as a "process of moving from a set of assets based on primary products, exploited by unskilled labor, to a set of assets based on knowledge, exploited by skilled labor" (Amsden, 2001, p.3). The greater the "knowledge" assets the easier it is to industrialize and develop a country where knowledge means technological capabilities.

banking, insurance, public utilities and others. In contrast and at the same time, under the WTO regime (1995), there was not only liberalization for developing countries but also protectionism for developed countries in certain areas by Trade related Intellectual Property Rights (TRIPs), Trade Related Investment Measures (TRIMs) and Multilateral Investment Agreement Initiative (MIA).

Trade related intellectual property rights (TRIPs) are the greatest collective loss for developing countries, because countries that are in the process of manufactory development will not be able to imitate the technology of industrialized countries. With TRIPs, developing countries accepted an increasing payment of royalties and license fees to transnational corporations owning most of the world's patents. Therefore, the WTO system imposed an extra cost for the industrialization of developing countries.

With **Trade Related Investment Measures** (TRIMs), developing countries accepted that national policies related to foreign investment begin to meet related measures requirements, such as American content or an obligation of foreign firms to use at least a specific minimum amount of their own input. This has serious implications in terms of prohibiting measures that promote local industry and greater linkages to the domestic economy that avoid protection on balance of payments.

The Multilateral Investment Agreement Initiative (MIA) is by far the most important new issue promoted by developed countries in the international arena, because it pretends to be an investment policy per-se. Given the strong opposition by developing countries, it is now being pushed with tremendous energy and resources by the Northern countries, arguing that such rules are the best way to promote the entry of foreign investments into the developing world. The objective is to establish an international agreement that widens the rights of foreign direct investors far beyond the current position in most developing countries and to severely curtail the powers of governments to regulate the entry, establishment and operations of foreign companies and investors.

The implications of the acceptance of the MIA would have profound consequences on the behavior, operations and effects of foreign investments world wide. Transnational companies would have freedom and rights to conduct business in any country, free from the regulations they face today from each particular government. From the domestic government perspective, the MIA means that the government would no longer have the right or the power to draw up its own basic policies or regulations. The MIA will also withdraws the power to regulate foreign investment to obtain better conditions and the right to promote domestic policies which are essential in the industrialization process of most developing countries.

The misreading of the importance of trade as the main engine for development was a trap that prevented developing countries from acquiring technological capacities. They blindly accepted a set of rules that constrained their potential development. The traps are still alive because there are new topics related to trade that the US is interested in pushing under the mask of international trade negotiations, such as trade and labor standards, trade and investment, trade and competition policy and transparency in government procurement.

Today, after nine years of lessons and under the absence of a coherent package of policies, such as industrial policies, effective export promotion and income distribution, Colombia, like several other developing countries, still blindly requesting the US to negotiate trade agreements. The potential outcomes for a developing country in negotiating a trade agreement with the US are not only null but regressive. To illustrate my thesis, I studied the case of Colombia which is considered by the World Bank a low middle income country and by the United Nations a Medium Human Development Index Country.

This destructive trap can be discovered by understanding the international negotiation wisdom in Colombia in these three dimensions:

1. The dynamism of the International trade context
2. The Negotiation process

    a. The negotiation machinery
    b. The asymmetric context of power
    c. Economic Statecraft in US Foreign Policy
3. The domestic context
    a. The Elite's mentality
    b. Economic Pressures

1. The dynamism of the international trade context settles important obstacles for developing countries, in particular the changing of the rules and topics of trade related in the negotiation process, makes extremely complex for developing countries the understanding of the developmental puzzle. In addition, the asymmetric power of the international trade context blocks developing countries from the alternative of forming coalitions. The international context for the negotiation process is influenced mainly by the WTO dynamic and the US foreign policy interests.

In the WTO context, the collapse of the Cancun talks set an important precedent because for the first time in history a high level of intolerance from developing countries under the G-21 against developed countries' agricultural subsidies was voiced. Nonetheless, even with the new developing countries alliance to challenge the North under the G-21, there is still a preeminence of power from the US and the EU to fragment those coalitions, as happened in the recent case of Colombia[11]. Brazil, with the leadership of the G-21, appeared as the most important opponent for the Free Trade Agreement of the American Continent (FTAA) and therefore the most important enemy of US trade interests.

The collapse of the Cancun talks changed the dynamic of nine years of economic diplomacy and almost swamped the possibility of a Free Trade Area for the Americas. It also shifted the trade negotiation trend from multilateral to bilateral or regional scenarios.

[11] The USA imposes Colombia a condition to pull out of the G-21 in order to start talks the talks for the free trade agreement negotiation.

The Colombian government's strongly requested the US Secretary of Commerce to start the free trade negotiations, expecting a special reward for supporting the US in the Iraq war. The US accepted but under two conditions: First, on an Andean Regional base negotiation (Colombia, Ecuador, Peru and Bolivia) and second, requesting Colombia to pull out of the G-21. These two conditions make a very difficult international context for Colombian negotiations.

Regional negotiations instead of bilateral ones will make it more difficult for Colombia to achieve an effective trade agreement because the process tends to be more rigid, more formal and with less room for maneuvering. There is also another obstacle: Colombia will be negotiating under no reward from the US for its cooperation because the other Andean countries did not support the war. In contrast, Colombia could receive punishment from the rest. In addition, this regional base negotiation in the geography of the world's illicit drug production will impose heavy compromises on the Region's reduction of illicit drug production. Colombia will take responsibility for other countries commitment and effectiveness under a clear economic sanction regime of the war on terrorism.

2-The negotiation process itself is an obstacle for effective outcomes because of the weakness of the negotiation machinery and the context of asymmetric power of the negotiations.

a. Developing Countries' Negotiation Machinery: Developing countries negotiation machinery is poor in content and participants. The content obstacle is crucial because it prevents developing countries from proposing persuasive arguments and increase the value of the negotiation for their benefit.

In addition there is another content obstacle which is the way knowledge is developed in the US. In this cognitive process, which is used to support arguments during the negotiation process: there is a thesis which is supported with three or more arguments and a conclusion. This cognitive process influences a persevering behavior by inducing the adherence to preconceived beliefs in the face of contradictory evidences. Therefore, the lack of critical thinking and prescriptive policies proposals of the elites in developing countries and, in addition, the stubborn behavior in the face of any contradictory evidences from developed countries' negotiators make the negotiation process itself a clear obstacle to achieve effective outcomes for developing countries.

Developing countries' negotiation machinery is not only poor in content but also in participants. They have fewer participants because of the complexity in getting updated knowledge on international hot trade negotiations news. Thus making it an excluding process. In addition, there is a weak institutional capacity that lack the process from active and diverse participants.

The Negotiator Machinery under the winds of globalization includes not only state actors but also non-state actors and new international and global actors which are off the stage. None of them is monolithic. Consequently they have several motivations and they relate with each other, creating different tensions. The most important **State Actors** are the Executive Branch and the Negotiator Team.

- **The Executive Branch** is represented mainly by the ministers and the country's Ambassador in Washington D.C. From the State-actors' perspective, the problem is not only their weak, slim and light participation: in addition there is no solid Nation's position. As the state actor is not monolithic because there is an internal battle of individual power for personal interests between the Embassy's in Washington D.C. and the Ministries. The process more likely ends under a strong influence from the ambassador's personal interests which normally does not reflect the nation's interests. Therefore, the outcomes of the trade negotiations turn regressive.

- **The Negotiator Team** which is the actor on the stage, as it is explained in section II, chapter 1. The negotiator team can be fulfill with the highest requirements to be a good negotiator and with the knowledge on the topic. But the problem is its leadership capacity which is very limited for developing countries and even worse in a Regional base negotiation scenario. Developing countries' negotiator team performance will depend more on the international and domestic context than on its abilities in negotiation.

-**The non-State Actors** in developing countries have a poor participation in the process, mainly explained by the weak institutional capabilities, lack of international mentality, and lack of updated knowledge on international trade negotiations. All this weak capability is reinforced by the brief participation of the domestic media.

This low profile of the media is explained by two factors: first, because international trade negotiations normally are closed doors processes, and its updated knowledge requires high level of international relations and English understanding. Therefore, domestic journalists are not capable to cover those issues and to promote open discussions of the negotiation process problems. Second, on the part on the economic diplomats, who should understand and start the discussion of the problems do not act. This is because, they normally are very young professionals with few years of experience and low critical thinking capacities. In addition, there is a fear of open discussion of the internal battle between the ambassador in Washington D.C. and the ministers. This fear can be founded on the high power that normally the ambassador in Washington D.C. has given his or her normally close relation with the President and the owners of the media.

- **International Actors** will also constrain the effectiveness of developing countries' negotiation team because those organizations are normally backed by developed countries' business groups who will push for their own interests.

b. The Asymmetric Power context for the negotiation process is another important obstacle for developing countries. In section II chapter 2, there is a list of different negotiation mechanisms that are available to the US and are not to developing countries. This asymmetric is explained by two factors. First, developing countries' high economic dependence on the US. Second, the fear to loose a preferential treatment, a misplaced obsession about potential aid.

Under the threat of global terrorism and the strong interest of maintaining on one hand the competitive edge of American business and on the other hand the American preeminence, developing countries are challenged to lobby for trade agreements with an increasing number of actors and under the fear of an openly shrewd sanction regime.

This increasingly asymmetric context of power, that lack of developing countries' bargaining capacities, generates another disadvantage, which is the absence of coalitions among them as a meaningful alternative to the international trade talks. Therefore, the lack of second best options becomes another obstacle to achieve effective trade agreements for those countries.

3. The domestic context in developing countries the international negotiation process is another important obstacle to achieve effective trade agreements for two reasons: the elite's mentality and the domestic economic problems. Their lack of resources and low priority for research, constrain them to generate their own policies and theories to solve their problems. Therefore, there is a lack of critical and prescriptive mentality in the elites and bureaucrats.

Domestic economic problems are key obstacles for developing countries freedom to negotiate their best choices. Under neo-liberal policies there is a higher intolerance for inflation and an increasing trend of international debt that reinforce dependence on the (WB-IMF-WTO) cross conditionality regime. These reduce developing countries' bargaining capacities.

The three main dimensions described above contribute to the fall of developing countries into a trap. With the cold blood of international negotiations protocols and the false flavor of freedom to choose, developing countries have become the victims of the game.

Developing countries must implement shrewd and comprehensive plans to escape this trap. Their governments should play a major role in promoting national industrial growth by controlling the pace of inward foreign direct investment and supporting national companies to assume the form of diversified business groups. Under R&D (Research and

Development) and environmental projects those countries must find the paths to legally by-pass the rules of the WTO. They will have to implement a strategic package of policies that will prioritize the strengthening of domestic potentials as the main engine for their development. For instance (and for further research): policies to induce the creation of knowledge base assets such as aggressive industrial policies fronts; industrial observatories, mobilization of resources for R&D and higher education. In addition, governments should promote competition policies to enable specific industries to enhance their market power. The state must support mergers and acquisitions. Outward foreign direct investments should be legalized and facilitated with minimal concern about competition. Effective import substitution and export promotion programs should be implemented, seeking to promote trade with markets different than the US. In parallel developing countries governments should establish a negotiator team as a state institution with long term objectives. Therefore, as with the Chinese finger trap works, only by pushing inward, by moving counter to the direction in which escape appears to lie, can developing countries get free.

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