

**MOVING OUT OF THE DEADLOCK:
U.S. NEGOTIATION STRATEGIES AND REGIONAL TRADE
LIBERALIZATION**

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ABSTRACT

The present thesis looks at the phenomenon of regionalization from the perspective of negotiation analysis. Its primary aim is to identify those elements of coalition-building strategies that can effectively contribute to the successful overcome of negotiation deadlocks. The analysis rests upon a comparative examination of two regional trade liberalization projects. Focusing on the negotiating strategy of the United States employed in concluding free trade arrangements in the Asia-Pacific Economic Cooperation and the Americas, the analysis provides explanation for the different outcomes of these two regional projects. As a conclusion, by transferring these specific findings to a more general level of negotiations, it provides some basic rules that can also be applied to everyday negotiations practice.

Keywords: regionalization • international negotiations • United States • trade liberalization

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INTRODUCTION

Regionalism, regionalization, and regional integration are key trends in post-Cold War international relations. Though there were a number of successful attempts for regional arrangement even in the Cold War period, the abandonment of the Cold War bloc attitude and the growing influence of the principle of subsidiarity made regional developments even more important. Despite the fact that International Relations scholarship has paid a growing attention to the understanding of regionalization, especially in the past two decades, it has failed to examine the factors that explain the successful conclusion of such arrangements. Though the principle of subsidiarity assumes the presence of a higher level of consensus regarding the interests of the parties concerned, the conclusion of regional-level agreements is usually dogged by conflicts, impasses, and even breakdowns. Considering the undiminished interest in regionalization in the practice of international politics, the existence of such difficulties deserves greater scholarly attention.

Deadlocks are almost always present at negotiations and are critical junctures on the road toward the conclusion of agreements. Therefore, the examination of deadlocks can provide important information on the dynamics of negotiations on regional arrangements as well as on their possible outcomes. Based on all this, the present analysis attempts to answer the following research questions:

Why can certain regional-level negotiations move out of deadlocks and others cannot? What factors in the negotiation strategy can effectively contribute to breaking deadlocks?

Negotiation analysis can be a suitable framework for such an investigation for two important reasons. First, due to the fact that regional cooperation and arrangements are always

born through the conciliation of interests, the dynamics of bringing interests closer to each other can be best understood by examining the negotiation process itself. Second, since negotiation analysis is a peculiar merge of traditional approaches and different levels of analysis¹, it can provide a proper and exhaustive explanation, which however none of the traditional analytical frameworks are suitable for.

The present thesis can rely on the extensive scholarship on international negotiations. However, two important considerations need to be made regarding the applicability of this literature. On the one hand, the understanding of multilateralism needs to be reconsidered. Much of the literature on international negotiations focuses on talks in global-level institutions or on arrangements with global scope, and considers that the presence of a high number of participants at a certain negotiation creates such leverage and dynamics that are impossible to develop in the case of negotiations with a limited number of parties. While it accepts the argument for a greater leverage and a wider variety of party constellations at global-level talks, the thesis, sharing Robert O. Keohane's understanding of multilateralism², stands on the proposition that negotiations with more than three participants are structurally isomorphic, and consequently, the configurations of negotiation dynamics are similar. Therefore, the findings of scholarship on global-range negotiations can be used extensively. On the other hand, the thematic classification of negotiations existing in the literature also needs to be reexamined. The relevance of a thematic differentiation that renders trade and environmental negotiations to a cluster separate from security-related talks as made by Daniel Druckman, is questioned here. Druckman argues that security-related negotiations, due to the existence of fundamental mistrust between the parties, need to be handled separately from the

¹ Consider for instance Waltz's "Three Images" concept or Singer's "Two Levels" approach regarding the sources of constraints on the actors of international politics. Kenneth N. Waltz, *Man, the State, and War: A theoretical analysis* (New York, NY: Columbia University Press, 1959); J. David Singer, "The Level-of-Analysis Problem in International Relations," *World Politics* 14, no. 1 (October 1961): 77-92.

² Robert O. Keohane, "Multilateralism: an agenda for research," *International Journal* 45, no. 4 (Autumn 1990): 731.

other two negotiation types. He adds that in the case of security issues on the agenda, it is usually external factors like the peace-building international community that shape the outcome, unlike in the case of trade and environmental issues where the negotiations are affected rather by the intentions of the participants themselves.³ Considering that a certain amount of mistrust is always present at negotiations regardless of their thematic due to the initial difference of interests that need to be harmonized, and accordingly, security-related negotiations can also be differentiated, the line should be drawn rather along structural considerations. On this ground, regime-building⁴ negotiations, be about trade, environmental issues, or security should be handled as different from conflict-resolving talks. Therefore, the findings of scholarship on either type of regime-building negotiations are regarded as relevant for this analysis.

The potential answers for the research questions will be provided by a comparative case study on the United States' negotiation strategy in two regional trade liberalization projects. The first chapter of the thesis addresses the existing negotiation analysis literature in order to understand the phenomenon of deadlocks and to set the theoretical and methodological framework of the analysis. The second chapter, by giving an outline of the developments in U.S. trade policy in the early 1990s and the evolution of the two regional projects discussed, provides some background information that is essential for understanding the cases to be compared. The two analytical chapters contain the comparative case studies themselves. The conclusion summarizes the comparative findings of the case studies, and accordingly, by extending the findings to a broader negotiation analysis framework, it offers some general observations that can be applied to everyday negotiation practice.

³ Daniel Druckman, "Turning Points in International Negotiation," *Journal of Conflict Resolution* 45, no. 4 (2001): 521-5.

⁴ Regimes are understood here as Stephen D. Krasner defines them: regimes are "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations." Stephen D. Krasner, "Structural Causes and Regime Consequences: Regimes as Intervening Variables," *International Organization* 36, no. 2 (1982): 186.

CHAPTER 1: THEORETICAL FRAMEWORK

Negotiations have always originated from the desire to bring interests and arguments closer, in order to conclude an agreement that will be acceptable for the parties concerned. A basic difference in interests is therefore a fundamental characteristic of all negotiations. Since the negotiating parties usually remain firm on their standpoints due to their desire to bring the most possible of their preferences to the final agreement, the slowdown of talks and even the lack of any movement toward the conciliation of interests are an inherent part of all negotiations.⁵

In order to be able to analyze impasses in certain negotiation processes, it is necessary to conceptualize deadlocks first so as to understand the phenomenon. The outline of the theorization of deadlocks will be followed by a systematic introduction to the strategies for getting out of deadlocks. The variables employed in the analysis will be derived from the typology set up on the basis of the existing literature.

1.1 Conceptualizing deadlocks

As stated earlier, negotiations rarely occur without any shorter or longer periods of impasses when there is no or little visible progress in conciliating interests and movement towards making an agreement. Nevertheless, it is hard to decide whether a certain impasse has a devastating effect on the outcome of a negotiation, and accordingly, it can be difficult to state the beginning and the end of the nadir period of talks. The existing literature conceptualizes deadlocks in many ways and the criteria for deadlocks may be very different.

⁵ Amrita Narlikar, "Introduction," in *Deadlocks in Multilateral Negotiations. Causes and Solutions*, ed. Amrita Narlikar (Cambridge: Cambridge University Press, 2010), 3.; Guy Olivier Faure, "Deadlocks in negotiation dynamics," in *Escalation and Negotiation in International Conflicts*, ed. I. William Zartman and Guy Olivier Faure (Cambridge: Cambridge University Press, 2005), 27.; Raymond Cohen, "Breaking the Deadlock: Guarantees in International Mediation," *Cambridge Review of International Affairs* 14, no. 2 (2001): 39.; Stefan Persson, "Deadlocks in International Negotiations," *Cooperation and Conflict* 29, no. 3 (1994): 211.

Still, the existing scholarship provides some guidelines for being able to explore the most important characteristics of deadlocks.

First of all, one major point is whether a certain impasse is limited to only one or some of the negotiating parties or whether it has an across-the-board effect on all negotiators. The former is called *tactical deadlock* due to the fact that it is part of a certain party's negotiating tactics to make the others understand that that specific party has arrived at the limit of its willingness to bargain.⁶ According to Cohen, tactical impasses are characterized by diverging rhetoric and growing disagreement that can be easily overcome by political intervention and any other diplomatic tools.⁷ Even though he avoids using the term *deadlock* for temporary breaks in negotiations, the situation described by the term *tactical impasse* is identifiable with the phenomenon described by Faure, though he underlines the importance of its overwhelming effect on all the negotiating parties. In contrast to Faure and Cohen, Persson conceptualizes tactical impasses as turning points in negotiations where talks, despite the presence of difficulties in formulating positions after the negotiating parties have reached the limit of their concessions, do not get stuck, and meaningful action is still detectable.⁸ In this regard, according to Persson's conceptualization, such temporary impasses are rather slowdowns of negotiations, and based on this, they cannot be considered real deadlocks.

Unlike tactical impasses, it is strategic deadlocks that are understood as real negotiations deadlocks in the literature. According to Cohen, strategic deadlocks are considerably longer than tactical ones, due to the fact that negotiating standpoints turn to be non-conciliatory.⁹ Following this line of argumentation, Persson claims that real deadlocks lack cooperative moves that could facilitate the creation of a common ground for agreement.¹⁰

⁶ Faure, "Deadlocks in negotiation dynamics," 24.

⁷ Cohen, "Breaking the Deadlock," 39-40.

⁸ Persson, "Deadlocks in International Negotiations," 214.

⁹ Cohen, "Breaking the Deadlock," 40.

¹⁰ Persson, "Deadlocks in International Negotiations," 214-215.

In other words, deadlocks, as opposed to tactical impasses, indicate deeper discrepancies in negotiating standpoints as well as a significant decrease in bargaining willingness. Therefore, deadlocks are characterized not only by the slowdown of negotiations, but also by a visible break in talks.

Apart from their length and the presence of inconsistent positions and claims, deadlocks share another key characteristic in terms of negotiations procedure. As Narlikar claims, deadlocks indicate that the negotiating parties are “unable or unwilling” to make further concessions that could move talks forward to the conclusion of an agreement.¹¹ Both Faure and Odell highlight the importance of the lack of willingness to depart from the original positions¹².

The unwillingness to make further concessions reflects that the negotiating parties have lost their commitment to the agreement under construction, and any other alternatives for the agreement under concern, even non-agreement are more valuable options. While tactical deadlocks are solved by internal practices and the negotiations procedure itself due to the shared commitment of the parties to make an agreement, and a shared willingness to move negotiations forward, strategic deadlocks are more difficult to get over. Since in the case of strategic deadlocks all the parties or at least the majority of them appreciate alternatives more than the agreement under discussion, increasing the bargaining capacity is needed on the part of those whose alternatives prove to be weaker later on. Therefore, strategic deadlocks do not necessarily mean the complete breakdown of negotiations. Interests and standpoints are not completely insurmountable and irreconcilable. Still, concerted action, or in other words, a certain strategy is necessary so as to move negotiations out of the deadlock. In the next section, strategies applied for getting out of deadlocks will be discussed and a typology will be provided.

¹¹ Narlikar, “Introduction,” 2-3.; see also Persson, “Deadlocks in International Negotiations,” 214.

¹² Faure, “Deadlocks in negotiation dynamics,” 24; John Odell, “Breaking Deadlocks in International Institutional Negotiations,” *International Studies Quarterly*, no. 53 (2009): 274.

1.2 Reasons for getting in – Strategies for getting out

Considering that the emergence of deadlocks can be traced back to different reasons, strategies for overcoming them can also be rendered under different clusters. A resolution strategy can be successful only if it addresses the problem that had been the source of deadlock. (For the different reasons and strategies discussed by the relevant literature see Appendix). Beyond providing a summary, the creation of a typology of these strategies is necessary here.

Negotiators, being the representatives of either governments or other actors, cannot make themselves independent of the standpoints of those who assigned them to the negotiations. Accordingly, especially if talks are parts of a practice for the formulation of further cooperation within existing institutions, the institutional systems of these specific organizations can also have an impact on the outcome of negotiations.¹³ In sum, factors originating from the domestic environment (e.g. change in interests or preferences) or the institutional structure (e.g. voting policies) can be handled under the realm of external factors as opposed to those generated by the negotiating partners themselves. First, the specific reasons and suggested strategies rendered under the external factors cluster will be discussed.

Based on Putnam's two-level game theory,¹⁴ Narlikar argues that the changing domestic political environment, more generally the preferences of those the negotiators represent can have a detrimental impact on the policy and the attitude that specific actor has in relation to the outcome of a certain negotiation.¹⁵ As the negotiating partners recognize the departure from the original negotiating grounds, a deadlock situation may arise that can be effectively addressed by reframing the issue in order to make it match the new preferences.¹⁶

¹³ For instance, veto rights in an institution may affect the perceptions of the negotiating parties regarding the chances for a proposal to pass and, consequently, their bargaining willingness as well.

¹⁴ Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42, no. 3 (1988): 427-460.

¹⁵ Narlikar, "Introduction," 11-12.

¹⁶ *Ibid.*, 14.

Another form of domestic pressure, according to Faure, is when the specific domestic department, authority, or organization binds the hands of the negotiators, not allowing them to make further concessions, even though this would be essential for the successful conclusion of the talks.¹⁷ As Faure argues, introducing a superior value reframing the goals of the negotiation, as well as the involvement of a third party or any other mediators can resolve the deadlock successfully.¹⁸ Accordingly, in the case of negotiations aiming at facilitating further cooperation under the aegis of an existing organization, such institutional peculiarities as voting practices and the single undertaking principle in case of several issue areas covered by the same agreement can also contribute to the break of talks.¹⁹

Apart from external factors, others generated by the negotiation process itself need to be taken into consideration in defining the causes of deadlocks in cooperation. The internal causes of deadlocks and the strategies adopted to resolve them can be grouped into two general strategic clusters. According to Odell, distributive strategies such as high opening demands, reluctance to make flexible concessions, and miscommunication make a negotiation more deadlock-prone. In contrast to this, integrative strategies like focusing on issues that lack serious discrepancies between the parties' interests, effective bargaining of concessions, and a proper way of information-sharing can contribute to avoiding deadlocks, or, once they have already happened, they are effective tools to resolve them.²⁰ These general categories well address all those factors (normative issues, inter-party communication, and problems related to the negotiations procedure) that need to be considered when dealing with deadlocks caused by the internal dynamics of negotiations.

According to Narlikar, the normative content of the negotiations' behavior can have a devastating effect on the outcome of negotiations, due to the fact that the lack of fairness and

¹⁷ Faure, "Deadlocks in negotiation dynamics," 33-34.

¹⁸ *Ibid.*, 41-43.

¹⁹ Narlikar, "Introduction," 10.

²⁰ Odell, "Breaking Deadlocks," 277.; see also Narlikar, "Introduction," 6-7.

justice can significantly reduce the level of mutual trust.²¹ Accordingly, as Faure argues, personal dishonesty and the personalization of arguments especially during extremely heated and long negotiations might have a similar effect.²² Though the withdrawal of certain negotiators is a reasonable strategy for moving talks out of the deadlock²³, reframing the normative content of the issue under discussion can eliminate all those ideological-emotional burdens the former stages of the negotiation had put on both the participants and the central issue.²⁴

Though they cannot be handled as a factor entirely separate from normative issues, problems originating from miscommunication between negotiating partners can also be a major source of deadlock. Besides the fact that negotiators happen to bluff and lie,²⁵ misperceptions of the others' interests and intentions as well as the lack of proper sharing of information²⁶ can paralyze negotiations. According to Narlikar and Faure, a possible response to these problems is the implementation of more effective communication practices so as to facilitate a clear distribution of interests and the changes in bargaining willingness.²⁷ Accordingly, altering the focal point of the agreement under negotiation or alternatively, reframing the issue area discussed can provide an impetus to move the talks out of inertia.²⁸ As mentioned in the previous section, alteration in the willingness to bargain and to make concessions is one of the key factors in conceptualizing deadlocks. Approached from a communication process perspective, making concessions in an inappropriate way²⁹ (either in time, scope, or manner) does not only damage the bargaining position of a certain party, but at

²¹ Narlikar, "Introduction," 10-11.

²² Faure, "Deadlocks in negotiation dynamics," 33.

²³ Ibid., 40-41.

²⁴ Narlikar, "Introduction," 13.

²⁵ Ibid., 8.

²⁶ Faure, "Deadlocks in negotiation dynamics," 31-32.

²⁷ Narlikar, "Introduction," 12.; Faure, "Deadlocks in negotiation dynamics," 38-39.; see also: William Brown, "Talking one's way out of strikes," in *Deadlocks in Multilateral Negotiations. Causes and Solutions*, ed. Amrita Narlikar (Cambridge: Cambridge University Press, 2010), 79-95.

²⁸ Faure, "Deadlocks in negotiation dynamics," 46-49.

²⁹ Ibid., 34-36.

the same time might carry inappropriate information regarding the party's commitment to the issue under discussion.

Looking at the evolution of deadlocks from the perspective of negotiations procedure, the problem of making concessions brings us to different conclusions regarding strategies for getting out of the deadlock. From this angle, the reasons why one negotiating party or, as it is occasionally the case, all of them reach the upper threshold of their bargaining willingness are manifold. On the one hand, changes in the power position (either in relative or absolute terms) of the negotiating parties can put an end to the bargaining superiority of the stronger powers with greater capacities.³⁰ What is even more important is that an increase in the capabilities of a certain negotiating party might undermine its commitment to cooperate under the given negotiations framework. According to Faure, apart from the involvement of a mediator, unfavorable power relations can be effectively addressed by coalition-building among the negotiating partners.³¹ The decreasing willingness to make concessions, as Narlikar argues, can originate from the emergence of alternatives outside the negotiation framework.³² These viable alternative options, or as it is called in the negotiations analysis literature, the BATNA (better-alternative-than-the-negotiated-agreement) might decrease bargaining activity. The reduction of the attractiveness of other alternatives can be effectively conducted by expanding the scope of the negotiated agreement³³ by involving issue areas or contracts that are regarded as the key elements of the alternative deal, or conversely, by reducing the number of issues included in the original plan of agreement³⁴.

The present thesis is focusing on the factors rendered under the negotiations procedure cluster in examining the negotiation strategies the United States employed during the deadlock periods of the regional trade liberalization talks it has participated in. In the light of

³⁰ Narlikar, "Introduction," 9.; Faure, "Deadlocks in negotiation dynamics," 34.

³¹ Faure, "Deadlocks in negotiation dynamics," 43-46.

³² Narlikar, "Introduction," 7-8.

³³ Ibid., 12.

³⁴ Persson, "Deadlocks in International Negotiations," 219-231.

this preference, the following section will elaborate on the methodological approach and toolkit applied in the analysis.

1.3 Methodological considerations

The primary research aim of the present thesis is to provide an explanation for why some of the negotiations manage to get out of deadlock and why others do not. Due to the fact that the initiators of negotiations are expected to be more committed to the successful conclusion of talks by making an agreement, and therefore more devoted to moving talks out of the deadlock, examining the United States' negotiation strategy in two regional trade liberalization projects provides an appropriate case to answer the research question. The comparative analysis will focus on two cases: trade liberalization within the framework of the Asia-Pacific Economic Cooperation (APEC) and the creation of a free trade regime covering the American continent under the Free Trade Area of the Americas (FTAA) project. The case selection is justified by four considerations: First, both projects were initiated by the United States and aimed at the incorporation of regions into trade liberalization regimes which have been historical spheres of interest of the U.S. On this basis, it can be argued that the interest of the United States in building stronger ties with the Asia-Pacific and the Americas was a long-standing one, rather than a random idea of one particular Administration. Therefore, a strong U.S. commitment to the conclusion of trade agreements was practically constant. Second, the negotiations framework was the same in both cases. Despite the fact that APEC already existed at the time of the launch of trade liberalization, it lacked any internal organizational structures, most importantly established decision-making bodies and voting formulas. Therefore, intra-organizational decision-making remained purely intergovernmental. FTAA negotiations were conducted under the same structure. Third, the decade-long negotiations in the case of both APEC and the FTAA were witnessing a considerable change in power

relations. The emerging large economies (most importantly China and Brazil) gained stronger and stronger economic capacities during the years, which inevitably increased their bargaining power and modified their preferences in negotiations. Finally, both negotiations arrived at the stage of deadlock. In spite of these four shared factors, while in APEC, by the mid-2000s a strong intra-negotiation alternative emerged that moved the talks out of the standstill, the FTAA negotiations have not managed to get out of the inertia.

The existing literature claims that multilateral negotiations have stronger capacities for coalition building and the creation of bargaining blocs. Therefore, on the ground of the typology set up in the previous section it can be argued that the internal factors related to the negotiation procedure itself can be regarded as those variables that can best serve the primary research aim of this thesis. The impact of institutional practices can be ruled out due to the lack of any institutional decision-making mechanisms in both APEC and the FTAA, and accordingly, in the case of the U.S., serious domestic constraints affecting the concession-making willingness of its negotiators were also missing. This further strengthens the choice to reduce the focus of the analysis to internal factors. Since coalition-building and therefore a broader bargaining leverage is regarded as a key characteristic of multilateral talks, and the possibility of the extension of the strategies related to inter-party communication and normative issues to other negotiation frameworks is more obvious, the case study analysis will concentrate on factors that are derived from the negotiation procedure. The analysis will focus on coalition-building strategies and tries to explore some patterns beyond the exact policies. The focus on coalition-building is underlined also by the consideration that it is usually conducted between the different negotiation rounds beyond the official talks. Due to the fact that the records of the different summits and other official negotiation rounds are confidential and therefore not available both in the case of APEC and the FTAA, meaningful information can be provided only by focusing on the behind-the-scene bargain. The analysis

will rest upon the official declarations issued by the different summits, comments made by government representatives and advocacies, public performances of the major negotiators, and news reports.³⁵

Before turning to a detailed analysis, an introduction to the APEC and FTAA trade liberalization projects is essential. The next chapter, beyond giving an outline of the major characteristics of the United States trade policy in the early 1990s, offers some background information on the two cases. The birth of the projects, the emergence of the deadlock situations (the starting dates for analysis), and the outcomes (the end points) will be discussed extensively.

³⁵ These documents are accessible on the websites of APEC, the Summit of the Americas, the Office of the United States Trade Representative, and other American government institutions, as well as on major news sites. The publication databases of some leading think-tanks will also be consulted.

CHAPTER 2: EMPIRICAL BACKGROUND

The value of trade arrangements below the global level was increased by the tendencies of changes in bargaining positions in the General Agreement on Tariffs and Trade (GATT) negotiations in the early 1990s. After being the most influential power in global trade arrangements for decades, the United States had to face a serious backlash in its abilities to realize its own agenda at the Uruguay Round of talks the earliest. The conclusion of the agreement founding the WTO was an American success since the institutionalization of global trade liberalization was finalized after forty years following the unsuccessful establishment of the International Trade Organization after World War II. Moreover, two of the three side-agreements of the WTO charter manifested the realization of American trade liberalization preferences by regulating trade in services and intellectual property. Despite these developments, the United States, considering its possible future difficulties for realizing its preferences under the WTO, started to seek alternatives at other levels. The underlying consideration was that the bilateral and other sub-global arrangements could serve as a reasonable compensation for what could not be achieved at the global level. In contrast to the first American free trade agreement with Israel in 1985, later bilateral, subregional, and regional arrangements³⁶ have demonstrated more geopolitical consciousness. Like the North American Free Trade Agreement (NAFTA), the other two major regional trade liberalization projects in APEC and the Americas were aimed at regions having historical security and economic relations with the United States.

³⁶ Even though during the 1990s, regional initiatives were of primary importance, the U.S. did not abandon bilateral arrangements. According to C. Fred Bergsten, the underlining strategy was called *competitive liberalization*, which secured export allocation and core political reforms at the same time. Accordingly, the background idea was that the economic development due to intensive trade relations with the U.S. would encourage others to conclude similar agreements. Later on, the U.S. endorsed this approach and elevated it to the level of official strategy in making FTAs. See C. Fred Bergsten, "Competitive Liberalization and Global Free Trade: A Vision for the Early 21st Century," *PIIE Working Paper* 15 (1996), under "Working Papers," <http://piie.com/publications/wp/wp.cfm?ResearchID=171> (accessed April 16, 2013); Jeffrey J. Schott, "Assessing U.S. FTA Policy," in *Free Trade Agreements: US Strategies and Priorities*, ed. Jeffrey J. Schott (Washington, DC: Peterson Institute for International Economics, 2004), 361.

2.1 Trade liberalization in the Asia-Pacific: getting in and getting out of the deadlock

The idea of the Asia-Pacific Economic Cooperation was introduced by Prime Minister of Australia Bob Hawke in a speech in Seoul in 1989. One year later, the organization was founded with 12 member states, all of them located in the Asia-Pacific region. The founding members included Australia, New Zealand, a number of Southeast Asian economies (some of them ASEAN member states), as well as Japan and Korea, both standing on the same economic platform as the United States. Apart from these East Asian countries, the United States and Canada also entered the organization at the 1990 foundation. In the next couple of years, the organization was expanded significantly by the membership of China, Hong Kong, Taiwan, and Mexico. Even though further expansion was made by the accession of Russia, Peru, and some other Southeast Asian countries in the late 1990s, the difficulties that emerged in relation to trade liberalization became apparent well before the last major enlargement round.

Even though there was a visible commitment to launching intergovernmental consultations on trade liberalization in the Asia-Pacific region already in the Reagan Administration³⁷, up until the 1989 Australian initiative for such talks the United States did not encourage the creation of intergovernmental forums officially. Still, the U.S. played an active role in proposing trade liberalization when the organization had already been established. According to Christopher Dent, the underlying goal at the foundation was to facilitate economic cooperation in the Asia-Pacific region, but it was not further specified up until 1994 when the so-called Bogor Goals were accepted.³⁸ The Bogor Goals expressed a long-term commitment of member states to trade and investment liberalization in a multilateral framework and development cooperation, based on the economic interdependence

³⁷ Richard W. Baker, "The United States and APEC Regime Building," in *Asia-Pacific Crossroads. Regime Creation and the Future of APEC*, ed. Vinod K. Aggarwal and Charles E. Morrison (New York, NY: Saint Martin's Press, 1998), 168.

³⁸ Christopher M. Dent, *East Asian Regionalism* (London and New York: Routledge, 2008), 118.

between the developed and the developing economies of the region.³⁹ Fully-fledged trade and investment liberalization was to be achieved by 2010 for the developed and 2020 by the developing member states.⁴⁰ In other words, the U.S. was seeking an arrangement that, due to its comprehensive nature, could be a better alternative for the different sub-regional deals. Nevertheless, the viability of the APEC alternative was underlined by the expectations of the other member states to create a framework for resolving American economic disputes with the East Asian countries as well as to prevent a possible future American unilateralism.⁴¹ As seen from the above, there was a general consensus regarding the potential benefits of expanding APEC's profile with a trade liberalization program in the very beginning. However, as it came to the details of realization, this consensus seemed to evaporate.

Despite the spectacular developments in creating new forums for discussion⁴² and the articulation of the principles of trade liberalization, the implementation of the Bogor Goals was not a smooth process at all. The 1995 Osaka Action Agenda signaled a departure from the original consensus. It proposed the elaboration of individual action plans, which was further complicated when the individual ideas were discovered. While the United States called for explicit reciprocity and a GATT-like general consensus, other APEC members preferred voluntarily concerted liberalization.⁴³ The other members opposed making trade liberalization binding; instead, they proposed defining a handful of common principles to serve as the

³⁹ "APEC Economic Leaders' Declaration of Common Resolve," November 15, 1994, under "Meeting Papers," http://apec.org/Meeting-Papers/Leaders-Declarations/1994/~media/Files/LeadersDeclarations/1994/1994_LeadersDeclaration.pdf (accessed April 17, 2013).

⁴⁰ Ibid.

⁴¹ Baker, "The United States and APEC," 171.

⁴² The annual ministerials were supplemented by so-called annual leaders' meetings, which elevated consultations to the highest possible level. Still, apart from the summitry system, a major drive behind trade liberalization was the Eminent Persons' Group of the organization, with U.S. Trade Representative C. Fred Bergsten as its chair. Charles E. Morrison, "APEC: The evolution of an institution," in *Asia-Pacific Crossroads. Regime Creation and the Future of APEC*, ed. Vinod K. Aggarwal and Charles E. Morrison (New York, NY: Saint Martin's Press, 1998), 11-12.

⁴³ Morrison, "APEC: The evolution," 13.

framework for the implementation of the Bogor Goals.⁴⁴ Misunderstandings further escalated at the Manila Summit, where the basic differences manifested in the individual action plans became even more explicit.⁴⁵

By the late 1990s, the East Asian countries' activity in concluding bilateral FTAs showed that the U.S. had lost considerable support for a trans-regional arrangement; and at the same time, negotiations on the creation of an APEC-wide free trade regime became stalemated. However, at the 2004 APEC summit, the original idea was revitalized as the APEC Business Advisory Group's proposal for the creation of a Free Trade Area of the Asia-Pacific (FTAAP) was introduced. Even though the proposal was strongly supported by the U.S. and other countries which were more dependent on access to the U.S. market,⁴⁶ it took six years until the APEC leaders' summit in Yokohama in 2010 endorsed the idea of the FTAAP and handled it as a viable long-term goal to be achieved in APEC.⁴⁷ Considering that the strengthening of the bilateral and sub-regional solutions in the late 1990s was regarded as the emergence of a deadlock in APEC-wide trade liberalization talks, the 2010 Yokohama declaration can be regarded as a clear escape from the state of deadlock.

2.2 Trade liberalization in the Americas: getting in the deadlock and remaining bound

In June 1990, U.S. President George H. W. Bush announced the Enterprise for the Americas Initiative for the creation of a hemisphere-wide free trade area.⁴⁸ The proposal was welcomed throughout the American continent, and altogether 34 countries committed

⁴⁴ Ralph A. Cossa, "US Approaches to Multilateral Security and Economic Organizations in the Asia-Pacific," in *US Hegemony and International Organizations. The United States and Multilateral Institutions*, ed. Rosemary Foot, S. Neil McFarlane, and Michael Mastanduno (Oxford: Oxford University Press, 2003), 209.

⁴⁵ *Ibid.*, 14.

⁴⁶ E.g. Canada, Chile, Australia, New Zealand, Singapore, and Taiwan. Dent, *East Asian Regionalism*, 134.

⁴⁷ "2010 Leaders' Declaration. The Yokohama Vision – Bogor and Beyond," November 13-14, 2010, under "Meeting Papers," http://apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx (accessed May 21, 2013).

⁴⁸ George H. W. Bush, "Remarks announcing the Enterprise for the Americas Initiative," June 27, 1990, under "Public Papers of the Presidents," <http://www.presidency.ucsb.edu/ws/index.php?pid=18644&st=enterprise+for+the+americas&st1=> (accessed April 18, 2013).

themselves to the creation of a Free Trade Area of the Americas (FTAA) at the 1994 Miami Summit of the Americas.⁴⁹ The parties concerned agreed upon an extensive action program for facilitating hemispheric cooperation, and, more importantly, trade liberalization became a central project to be concluded by 2005.⁵⁰

Contrary to the arrangement in the Asia-Pacific region, the FTAA project was preceded by a long tradition of hemisphere-wide cooperation; therefore, trade liberalization talks rested upon an extensive negotiation experience. Accordingly, the U.S. playing the role of a benevolent hegemon and the practice of using trade as a carrot in exchange for economic overture had a long history that could be traced back to the post-WWII era. Even though the FTAA was to be concluded on equal grounds, the comprehensiveness of the project combining trade and development goals reflected the revival of the post-WWII American approach toward the region.⁵¹ In other words, linking trade and development together was again part of the American negotiation strategy the countries of the Americas must have been familiar with. Furthermore, in contrast to APEC, a number of sub-regional economic cooperative arrangements had existed already before the FTAA negotiations were launched.⁵² Due to the fact that the members of these sub-regional pacts were linked together on the basis of shared interests and economic capacities, it can be argued that at the FTAA negotiations, these groups acted as bargaining blocs. The legally binding ties between the members of the different groups most possible had an impact of the types and the scope of concessions the individual countries could make at the negotiations.

⁴⁹ For details, consult Zuleika Arashiro, *Negotiating the Free Trade Area of the Americas* (New York, NY: Palgrave Macmillan, 2011), 34.

⁵⁰ “Declaration of Principles,” December 9-11, 1994, under “First Summit of the Americas,” http://www.summit-americas.org/i_summit/i_summit_dec_en.pdf (accessed April 18, 2013).; “Summit of the Americas Plan of Action,” December 9-11, 1994, under “First Summit of the Americas,” http://www.summit-americas.org/i_summit/i_summit_poa_en.pdf (accessed May 5, 2013).

⁵¹ Arashiro, *Negotiating the FTAA*, 24.

⁵² These are (dates of founding in parentheses): the Andean Community (1969), the CARICOM (Caribbean Community, 1973), the CACM/CAIS (Central American Common Market/Central American Integration System, 1993), and the Mercosur (Mercado Común del Sur, 1991).

Apart from setting the target date for the establishment of the free trade area, the 1994 Miami Summit approved an action plan for the preparation period of the following years. Even though no meaningful steps were taken in terms of negotiations, the future discrepancies in ideas regarding the content and the scope of the agreement were already apparent at this very early stage of the talks. The United States insisted on the creation of a NAFTA-type arrangement that would go beyond the scope of WTO regulations. This was well perceived by the other participants who suspected that the United States was willing to push forward the agenda for which it had difficulties to get the approval at the WTO-level.⁵³ Apart from the scope of arrangement, the velocity of the development of cooperation was also the subject of debates. The third ministerial in 1997 revealed the huge abyss between standpoints regarding the steps toward the agreement. While the U.S. urged gradual development in conversation in all issue areas including provisions for trade in services, investment, and the protection of intellectual property rights, others, most importantly Brazil proposed the creation of a priority list with a primary focus on agriculture.⁵⁴

The discrepancies that had evolved in the first years of the negotiations were deepened as the Bush Administration took office. The Bush Administration introduced new conditions for the agreement by showing reluctance to consider Latin American request for revising U.S. government subsidies on agriculture and its anti-dumping measures. Moreover, the appointment of Robert Zoellick as U.S. Trade Representative brought about the implementation of a new American negotiations philosophy.⁵⁵ Though the idea of *competitive liberalization* tends to be conceived as an American withdrawal from the hemispheric

⁵³ Arashiro, *Negotiating the FTAA*, 35-36. See also Nicola Phillips, "U.S. Power and the Politics of Economic Governance in the Americas," *Latin American Politics and Society* 47, no. 4 (2005): 6-9.

⁵⁴ Arashiro, *Negotiating the FTAA*, 37-38.

⁵⁵ *Ibid.*, 41-42.

project⁵⁶, considering that by a “spiral of precedents”⁵⁷, bilateral and subregional trade arrangements were expected to encourage others to make similar deals with the U.S., competitive liberalization ultimately aimed the creation of an extensive free trade regime. In this sense, it cannot be regarded as departure from the idea of the FTAA. Nevertheless, the shift in the American conditions for agreement shifted the goalposts due to the fact that the former preconceptions regarding the limits of the willingness of the Americans to make concessions needed to be redefined. Since Brazil immediately announced that the changed American preferences are contrary to its primary interests⁵⁸, the introduction of the new American negotiations criteria contributed to the evolution of inertia in the FTAA talks.

In the early 2000s, the leading negotiation parties intended to bridge the gap between positions on the primacy of the different issue areas by the introduction of multi-track negotiations that allowed simultaneous talks at the bilateral, subregional, and the hemispheric level.⁵⁹ As the smaller partners lost confidence in the successful outcome of negotiations, and there was no meaningful progress in reconciling the interests, the 2005 Mar del Plata Summit of the Americas saw the declaration of the postponement of trade liberalization talks.⁶⁰ In other words, the deadlock that had emerged at the FTAA negotiations in the early 2000s could not be resolved.

So far we have seen the evolution of deadlocks in the two cases of trade liberalization negotiations in APEC and the Free Trade Area of the Americas. The next chapter will turn to the examination of the American negotiation strategy for moving the talks out of the

⁵⁶ See for instance: Maryse Robert, “Trade Institutions: An Intricate Web of Arrangements,” in *Governing the Americas: Assessing Multilateral Institutions*, ed. Gordon Mace, Jean-Philippe Thérien, and Paul Haslam (Boulder, CO: Lynne Rienner Publishers, 2007), 187.

⁵⁷ An expression by Craig VanGrasstek; cited by Nicola Phillips, “Hemispheric integration and subregionalism in the Americas,” *International Affairs* 79, no. 2 (2003): 333.

⁵⁸ Arashiro, *Negotiating the FTAA*, 42.

⁵⁹ *Ibid.*, 44.

⁶⁰ “Declaration of Mar del Plata. Creating Jobs to Fight Poverty and Strengthen Democratic Governance,” November 5, 2005, under “Fourth Summit of the Americas,” http://www.summit-americas.org/iv_summit/iv_summit_dec_en.pdf (accessed May 5, 2013).

deadlock. The ultimate goal of the analysis is to find the factors that explain the different outcomes of negotiation efforts, and, taking it more generally, the factors that can answer why certain negotiations can get out of the deadlock and others cannot.

CHAPTER 3: CASE STUDY – RESOLVING DEADLOCK IN APEC

The next two chapters discuss the American negotiation strategy in the case of trade liberalization in APEC and the FTAA from a comparative perspective. To this end, the investigation will focus on the same aspects of the negotiation process in both cases. First, the development of BATNAs (better alternatives than the negotiated agreement) will be examined alongside with the reactions the U.S. gave for them. Then the analysis will give an account of the potential partners the United States could turn to so as to make a secure and smooth way to coalition enlargement. After discussing U.S. policy toward the most willing, the attitude toward the strongest group of those countries being the least interested in making an agreement due to their stronger BATNAs will be examined. Both chapters will end with a detailed analysis of the dynamics of the American strategy for creating a supportive coalition for the case of the U.S. agenda of trade liberalization.

First, the analysis will focus on the case of trade liberalization in the Asia-Pacific. Since the goal of the investigation is to understand the American strategies for managing negotiations during the time of the deadlock, the early 2000s as starting point will be considered, due to the presence of American activity even prior to the revival of the idea of the establishment of an Asia-Pacific free trade zone in 2004. The end point of the analysis will be 2010, the date of the official adoption of the Asia-Pacific free trade area proposal as a long-term APEC goal.

3.1 The evolution of BATNAs

However enthusiastic the American decision-makers were about the fact that the door was reopened to a trans-Pacific agreement, they could not sever the links that had been built between the East Asian economies during the preceding years. Besides the fact that these

connections created stronger ties, they also contributed to the development of a level of expectations the U.S. needed to consider in making suggestions for the future FTAAP agenda. However, despite the numerous economic arrangements, plans for broader and deeper integration were still under construction; therefore, the U.S. had the chance for influence the outcome of negotiations on a region-wide arrangement by reducing the value of the deals alternative to a prospective FTAAP.

The idea of the creation of a free trade area that connects the majority of East Asian economies was born already in the early 1990s. Though it was originally a security-related organization, the expansion of ASEAN's scope and profile by a trade liberalization program was introduced by the Malaysian Prime Minister Mahathir. The proposal for the creation of the East Asian Economic Grouping aimed at the establishment of a cooperative trade regime that includes as many East Asian countries as possible.⁶¹ By the mid-1990, the number of prospective candidates was reduced, and only Japan, China, and Korea were considered for accession. Even though the United States strongly opposed the participation of Japan and Korea in such an arrangement, claiming the multifaceted strategic relationship between the U.S. and these two countries, by the middle of the decade, its activity was reduced to verbal protest only. Despite such American voices, the ASEAN+3 (APT) framework became realized, moreover, its further development was strongly contemplated. While ASEAN members preferred the deepening of integration with the three newcomers, Japan proposed the extension of the structure most of all involving Australia, New Zealand, and India.⁶² The East Asia Summit that was to be created by this expansion was strongly opposed by China, questioning that Australia and New Zealand belong to East Asia.⁶³ Both the APT and the East Asia Summit framework carried the potential for the realization of an East Asian Free Trade Area (EAFTA). The idea was weakened considerably by the fact that both China and Korea

⁶¹ Dent, *East Asian Regionalism*, 151.

⁶² Ibid., 169.

⁶³ Ibid., 171.

opposed it due to their presumption that the proposal was driven by the motivation of Japan to play down Chinese influence in the East Asian region in the long run.⁶⁴

Regardless of Chinese and Korean opposition, the East Asian Free Trade Area was a viable alternative for most of the Asian countries. In other words, the different bilateral and sub-regional arrangements carried the potential to become components of a regional deal. Ultimately, the EAFTA was the biggest challenge for a trans-Pacific agreement that would include the U.S. as well. Being aware of the high potentials of the realization of the EAFTA, the United States was worried about such a development, even though from the mid-1990s it was reluctant to criticize and influence country positions so directly it had done in the case of the EAEG. According to C. Fred Bergsten, a U.S. advocate of regional trade liberalization, the main concern of the U.S. was the birth of a third major trading bloc beside the European Union and NAFTA, creating a tripolar global economic structure.⁶⁵ Due to its strong traditional security and economic relations to East Asia, the United States could not afford the emergence of such a bloc without its involvement. In contrast, the FTAAP proposal was seen as an opportunity to encapsulate the subregional trade liberalization deals into a broader Asia-Pacific framework. Accordingly, this arrangement was seen as a possible structure for handling U.S.-China bilateral trade conflicts without endangering the evolution of such an arrangement.⁶⁶

The U.S. was therefore ultimately interested in a comprehensive trans-regional arrangement that would reconnect it with the East Asian economies. Still, as Robert Zoellick argued, since each and every agreement concluded without American participation set new rules in trade issue areas the U.S. was in general interested in⁶⁷, all bilateral and subregional arrangements were at least that important for the U.S. as the greater trade regime. In other

⁶⁴ Ibid., 219-221.

⁶⁵ Cited by Dent, *East Asian Regionalism*, 135.

⁶⁶ Ibid.

⁶⁷ Eng Chuan Ong, "Anchor East Asian Free Trade in ASEAN," *The Washington Quarterly* 26, no. 2 (2003): 67.

words, the U.S. grasped all the possible opportunities to establish contacts with East Asian economies, and its creation of bilateral relations ultimately fit into the broader framework for winning support for the FTAAP and worsening the BATNAs of others, which in this case was the establishment of an East Asian Free Trade Area without American participation.

To make the idea of the FTAAP into a proposal the APEC members would endorse as a major long-standing goal of cooperation, the United States needed to gain the highest possible amount of supporters. Besides the fact that it approached those who were expected to give their consent to the proposal, it was necessary to build up a certain strategy for persuading the potential adversaries.

3.2 Coalition-buildup in Southeast Asia

The United States wanted to reengage with Asia by the creation of a trade liberalization regime standing on the same principles that were shared by the U.S. The underlying logic was that if there was a well-established regime, sooner or later non-members would face considerable disadvantages. Therefore, the value of joining the arrangement would be more valuable for them, and due to their disadvantaged position outside the deal, they would be more willing to make concessions. The competitive liberalization proposed by Robert Zoellick in general and the U.S. policies to reengage with East Asia in particular were based on this logic.

In the Southeast Asian region, there were a number of countries the U.S. could expect to establish trade relations on agenda set on the basis of U.S. preferences. Some Southeast Asian countries had economic profiles that determined their commitment to the regulation of non-traditional trade issue areas (for instance Singapore). Other countries were more dependent on intensive foreign economic contacts. This meant that the U.S. found it easier to

make an agreement with them due to their greater willingness to make concessions and their higher degree of flexibility.

Considering that Australia and New Zealand were among the countries Japan regarded as potential candidates for the extension of the APT framework, while they supported the 2004 ABAC proposal for an FTAAP wholeheartedly, it can be assumed that they were interested in any regional arrangements whatever their scope would be. This statement can be further endorsed by the fact that it was Australia that initiated the creation of APEC. According to Ravenhill, Australia's worst-case scenario in global trade relations was the formation of three major economic blocs around the U.S., Japan, and Germany. Due to the fact that Australia could not expect to become a natural member of any of these groupings, it regarded it essential to build foreign economic ties on its own.⁶⁸ This kind of self-perception was further reinforced by the fact that at the Japanese proposal for the extension of the APT framework, China's main counterargument was that Australia and New Zealand belonged rather to the Anglo-Saxon economic conglomerate than to East Asia.⁶⁹ The free trade agreement concluded with Australia in 2004 contained regulations on a range of issue areas having crucial importance for the U.S. Besides providing advantageous conditions for the U.S. agricultural export to Australia, the agreement included regulations on investment, trade in services, intellectual property rights, and labor and environment.⁷⁰ In other words, the agreement went beyond the scope of existing WTO trade regulations, which was the ultimate goal of the American negotiators.

ASEAN members have always been regarded as potential allies in the expansion of the U.S.-type trade regime due to the fact that their economic strength and profiles made them

⁶⁸ John Ravenhill, "Australia and APEC," in *Asia-Pacific Crossroads. Regime Creation and the Future of APEC*, ed. Vinod K. Aggarwal and Charles E. Morrison (New York, NY: St. Martin's Press, 1998), 147.

⁶⁹ Dent, *East Asian Regionalism*, 171.

⁷⁰ "U.S. – Australia Long Summary of the Agreement," July 15, 2004, under "Free Trade Agreements," http://www.ustr.gov/webfm_send/2625 http://www.ustr.gov/webfm_send/2625 (accessed May 21, 2013).

dependent on access to large markets. The Enterprise for ASEAN Initiative⁷¹ issued by the United States for building bilateral trade relations with the individual ASEAN members in 2002 was an early sign of that the Americans became aware of the potentials these countries could offer for the U.S. in its attempts to reengage with the Asian economies. Despite the promising overture, the majority of bilateral free trade negotiations failed, except for the one with Singapore. The successful conclusion of the U.S.-Singapore free trade agreement can be explained by the fact that Singapore was a developed economy, therefore the U.S. could initiate the inclusion of its key issue areas in the negotiations agenda without the necessity of hard bargaining and considerable concessions.⁷²

The conclusion of a free trade agreement between the U.S. and Singapore in 2004 created the first direct link of the U.S. to the Southeast Asian region, and also prepared the ground for further cooperation. The Pacific Four (P4) initiative which was the core of the later Trans-Pacific Partnership (TPP) project was made by Brunei, New Zealand, Singapore, and Chile. From this group of four, two countries counted as prospective economic partners of the U.S. The U.S. already had an FTA with Singapore, and Chile was among its major allies in trade liberalization in the Americas. The P4 group was formed in order to make the first step toward the creation of a broader regional trade arrangement. However, the U.S. also recognized its potentials in supporting the FTAAP initiative. As a major U.S. trade advisor claimed, “all four countries have liberalized trade policies so they make up a logical first group with which the U.S. can engage.”⁷³

⁷¹ For details, consult: Seiji F. Naya and Michael G. Plummer, *The Economics of the Enterprise for ASEAN Initiative* (Singapore: Institute of Southeast Asian Studies, 2005).

⁷² “Free Trade with Singapore: America’s First Free Trade Agreement in Asia,” May 6, 2003, under “Free Trade Agreements,” http://www.ustr.gov/sites/default/files/uploads/agreements/fta/singapore/asset_upload_file708_4036.pdf (accessed May 21, 2013).

⁷³ “U.S. In Trade Talks With Singapore, Brunei, New Zealand, Chile,” *World Trade Online*, December 18, 2007, under „Daily News,” <http://insidetrade.com/200712182294366/WTO-Daily-News/Daily-News/us-in-trade-talks-with-singapore-brunei-new-zealand-chile/menu-id-948.html> (accessed May 5, 2013).

Even though the United States did not officially join the TPP talks until 2009, its attempts to continue with building free trade relations with the countries in the Southeast Asian region marked a stronger commitment well before the official accession. The shared interest in establishing closer economic ties with New Zealand was further reinforced by the interest of New Zealand to make a comprehensive agreement. According to trade minister Philip Goff, it was seeking for “a high-quality and comprehensive free trade agreement that does not go to the lowest common denominator.”⁷⁴ All this shows that New Zealand, even though its strong dairy industry was seriously threatened by the opening of the borders for U.S. dairy exports, was willing to make concessions since the other provisions of the agreement as well as the increased weight of the P4 cooperation by the participation of the U.S. overvalued any negative side-effects of the free trade agreement.

Seeing the positive developments in bilateral relations and the future prospects of the cooperation for enlarging the circle of countries with trade relations resembling to U.S. preferences, the U.S. proposed the extension of the TPP even before its accession. Its initiative to invite Australia, Peru, and Vietnam as an observer to the negotiations gained the consent of the other TPP partner countries. Australian minister of trade Simon Crane argued that “The TPP could be used as a ‘building bloc’ towards a Free Trade Area of the Asia-Pacific.”⁷⁵ Besides being a positive feedback on the Australian intentions regarding joining the TPP, this statement was also an indicator of the reputation of the agreement outside of it. In other words, partly due to the American engagement with the initiative, more and more countries started to see the TPP as the hallway to the FTAAP.⁷⁶

⁷⁴ “Schwab Announces New FTA With New Zealand As Part Of ‘P4’ Group,” *World Trade Online*, September 23, 2008, under “Daily News,” <http://insidetrade.com/200809232300110/WTO-Daily-News/Daily-News/schwab-announces-new-fta-with-new-zealand-as-part-of-p4-group/menu-id-948.html> (accessed May 5, 2013).

⁷⁵ Ibid.

⁷⁶ William Krist, *Negotiations for a Trans-Pacific Partnership Agreement* (Washington, DC: Woodrow Wilson International Center for Scholars, n.d.), 5, under “Publications,” <http://www.wilsoncenter.org/article/negotiations-for-trans-pacific-partnership-agreement> (accessed December 20, 2012).

3.3 Breaking the China-Japan-Korea triangle

Even though the prospects of building relations with the like-minded and those most in need are the best, the necessary weight and membership of the supporters of an initiative differs from negotiation to negotiation. Therefore, the U.S. could not afford to disregard the most powerful East Asian economies, though China, Japan, and Korea were less interested in an agreement reflecting U.S. preferences. Moreover, as part of the ASEAN Plus Three framework, all the three countries were interlocated by bilateral trade agreements, forming therefore a triangular trade bloc.

In order to reengage with East Asia more effectively, to create a cross-Pacific trade network based on its trading principles, and ultimately, to gain enough support for the FTAAP initiative, breaking in the China-Japan-Korea triangle was an essential part of the U.S. strategy. Despite the existing free trade relations connecting the three countries, all of them were very different. The fact that it was Korea the United States considered first as a potential candidate for establishing a free trade arrangement originated from the peculiarities of the group and reflected a certain level of American consciousness.

According to Bin, China's bilateral deals have been characterized by a great diversity; therefore, the establishment of a regime with binding principles was conceived as going against China's interests.⁷⁷ In addition, the ongoing disputes between China and the U.S. on different trade-related issues as well as China's reluctance to endorse the idea of the protection of intellectual property rights burdened the establishment of bilateral trade relations heavily.⁷⁸ Therefore, however significant China's involvement in the U.S.-led bargaining bloc could have been in terms of the bargaining capacity of the evolving group, the U.S. could not

⁷⁷ Sheng Bin, "The Political Economy of a Free Trade Area of the Asia-Pacific: A China Perspective," in *An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific*, ed. Charles E. Morrison and Eduardo Pedrosa (Singapore: Institute of Southeast Asian Studies, 2007), 78-83, 85. On China FTA/RTA policy, see: C. Fred Bergsten, "Toward a Free Trade Area of the Asia-Pacific," *Estudios Internacionales* 39, no. 156 (2007): 159-162, esp. 162.

⁷⁸ Ibid.

count on China as a supporter of its ideas. According to Zoellick, the primary aim regarding China was to facilitate its accession to the WTO⁷⁹ – in other words to make it accept the minimum rules of trade liberalization.

Despite the reduced immediate role of China in building the American trade network in Asia, in the long run it was expected to support the FTAAP proposal. Following the logic of competitive liberalization, Fred Bergsten for instance claimed that a possible agreement with Japan and/or Korea would result in a more positive Chinese attitude towards the FTAAP, even though the initial steps would inevitably be perceived as parts of an encirclement policy.⁸⁰ The potential benefits of approaching Japan and Korea were also underlined by Jeffrey Schott arguing that the economic potentials of these two countries are so high that by winning them to the case of a trans-pacific project, the U.S. could achieve a “critical mass grouping” that could significantly contribute to the future success of the FTAAP proposal.⁸¹ Schott’s standpoint was shared by Deputy USTR Wendy Cutler, who claimed that an FTA with Korea would significantly increase the prospects for an FTA with Japan as well as for an FTAAP due to the competitive disadvantage Japan would have to face in case of the successful conclusion of an FTA with Korea.⁸²

As a consequence of the effective U.S. policy toward Korea on the one hand, and being aware of the potentials of the emerging Trans-Pacific Partnership agreement on the

⁷⁹ Robert B. Zoellick, “An Examination of U.S. Economic and Trade Policy in Asia” (remarks at the Asia Forum, excerpt from a conversation with Fred Bergsten of the Peterson Institute for International Economics, n.p., September 21, 2004), under “Transcripts,” http://www.ustr.gov/archive/Document_Library/Transcripts/2004/September/Remarks_by_US_Trade_Representative_Robert_B_Zoellick_at_Asia_Forum_An_Examination_of_US_Economic_Trade_Policy_in_Asia.html (accessed May 15, 2013).

⁸⁰ C. Fred Bergsten, “A New Strategy for APEC” (speech at the 16th General Meeting of the Pacific Economic Cooperation Council, Seoul, Korea, September 6, 2005), under “Publications,” <http://www.iie.com/publications/papers/bergsten0905apec.pdf> (accessed May 14, 2013).

⁸¹ “Cutler Says FTA With Japan, Asian FTA Closer With Korea FTA Passage,” *World Trade Online*, November 30, 2007, under “Inside U.S. Trade,” <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-11/30/2007/cutler-says-fta-with-japan-asian-fta-closer-with-korea-fta-passage/menu-id-710.html> (accessed May 13, 2013).

⁸² Ibid.; Wendy Cutler, “Implications of the Korea-U.S. FTA for Japan” (lecture at Japan Society, n.p., April 25, 2007), under “Corporate,” http://www.koreasociety.org/corporate/implications_of_the_korea-u.s._fta_for_japan.html (accessed May 20, 2013).

other, by the late 2000s, Japan showed interest in building closer relations with the U.S. and the related organizations, most importantly the TPP. Considering that the U.S.-Japan FTA negotiations ran amok in the early 2000s, this can be considered as the consequence of the successes of the recent developments of U.S. relations with East Asia besides that Japan was in a stronger need for such economic contacts due to its declining position in the East Asian region especially as compared to China. However, the strong U.S. positions were reflected by the fact that while Japan indicated that it might decide later on accession due to its problems with the agenda points, the U.S. responded that if Japan missed the early start of TPP negotiations, it would have less chance later to influence the agenda.⁸³ Ultimately, despite the fact that Japan acceded to the TPP talks only years after showing interest, its commitment and interest in joining the partnership reflects in itself the Japanese engagement with trade liberalization principles shared by the United States, even canonized in a trans-Pacific cooperation framework.

3.4 Analysis

In the case of the Asia-Pacific Economic Cooperation, the creation of a Free Trade Agreement of the Asia-Pacific was an alternative supported most of all by the United States, and was regarded as the revival of the original idea of establishing a trans-Pacific trade regime. The deadlock situation was characterized by the fact that the long-standing goal of creating such an arrangement was pushed into the background and was not on the agenda for years. During the period of the deadlock, other regional trade liberalization options, most importantly the proposal for the creation of a free trade regime only with an East Asian scope, were regarded as better alternatives. Therefore, to move the negotiations out of the deadlock,

⁸³“Japanese Cabinet To Hold Sunday Meeting On Whether To Join TPP Talks,” *World Trade Online*, October 22, 2010, under “Daily News,” <http://insidetradetrade.com/201010222342580/WTO-Daily-News/Daily-News/japanese-cabinet-to-hold-sunday-meeting-on-whether-to-join-tpp-talks/menu-id-948.html> (accessed May 20, 2013).

the United States needed to gain enough support from the APEC members to be able to bring the idea of trans-Pacific trade liberalization back on the organization's agenda.

For this purpose, the United States employed a two-track strategy. One track was that it approached countries that did not have a dominant position in their micro-regions. The economies of the ASEAN countries, Australia, and New Zealand are agriculture-centered, both in production and in external economic relations. Due to the fact that their primary goal in establishing foreign economic relations was to gain market access, especially such huge markets as the American one, they were more willing to accept U.S. conditions with only weak reservations. The other track was that the U.S. was seeking for closer relations with those countries which were expected to be less willing to accept the realization of the American trade liberalization agenda without requiring the U.S. to make greater concessions. Approaching the China-Japan-Korea triangle was the consequence of this consideration. Though it was not entirely clear in the beginning whether the first country to approach would be Japan or Korea, the perspective of starting negotiations on future cooperation is important here. The U.S. was cognizant of the long-term capacities of the Chinese economy to fulfill the role of the regional leader, which by its very nature was contrary to American interests. Seeing only little chance for the successful conclusion of a free trade agreement with China due to the strong discrepancies between their economic preferences and trade-related principles, the U.S. government considered Japan or Korea as potential candidates for the first free trade agreement aiming at the penetration of the East Asian triangle. Alongside with China's emergence as a regional hegemon, the conclusion of the KORUS FTA worsened Japan's economic position and influence in the East Asian region, which finally increased its interest in building stronger cooperative ties with the United States, and accordingly, it increased its openness toward the creation of an Asia-Pacific free trade area than an East Asian one excluding the U.S.

Despite the fact that China would potentially have brought considerable weight to the bargaining bloc under construction, the U.S. dropped the idea of approaching China so as to make it committed to the case of an FTAAP due to the high number of differences in their trade liberalization principles. In other words, the U.S. was aware of the fact that even though the economic influence of China would increase the weight of the coalition considerably, such a deal would require so many concessions that from the U.S. perspective it could only be a zero-sum game at best. It can be argued that approaching Korea first and creating in-bloc comparative disadvantage at the expense of Japan contributed considerably to Japan's changed attitude toward the Asia-Pacific version of trade liberalization, and ultimately to resolving the deadlock in the APEC negotiations.

CHAPTER 4: CASE STUDY – SUSPENDING NEGOTIATION IN THE AMERICAS

Having seen the United States' negotiation strategies in the case of trade liberalization in the Asia-Pacific, this chapter will turn toward the talks on the creation of the Free Trade Area of the Americas (FTAA). Since the goal of the analysis is to identify the patterns these two trade liberalization projects share and differ in, the application of the same analytical factors is essential. Considering that by the early 2000s, the negotiations for an FTAA reached a stalemate due to the insurmountable differences in expectations for the nature and the scope of a future agreement, this date will be regarded as the starting point of the analytical time frame. The end date of the investigation is 2005 when the negotiations were officially suspended at the Mar del Plata Summit.

4.1 The evolution of BATNAs

Even though the U.S. and other developed countries faced extreme difficulties in pushing through their agenda at the negotiations in the GATT/WTO, the U.S. was eager to achieve those provisions in trade liberalization it saw little chance for at the global level, especially in regulating investment, trade in services, and the protection of intellectual property. The first such achievement was made by the North American Free Trade Agreement,⁸⁴ which then became the blueprint for future trade liberalization arrangements. The United States was willing to follow the path laid down in NAFTA especially in negotiations for the creation of the Free Trade Agreement of the Americas (FTAA).⁸⁵

NAFTA's successful conclusion was due to the high concession-making willingness of Mexico. Despite being a developing country with potentially different interests and preferences from those of the United States, Mexico accepted the American conditions in

⁸⁴ "North American Free Trade Agreement," December 17, 1992, under "Legal Texts," <http://www.nafta-sec-alena.org/en/view.aspx?x=343> (accessed May 21, 2013).

⁸⁵ For details, consult: Phillips, "Hemispheric Integration," 332-334.

exchange for an extraordinary level of access to the American market. As the U.S. intended to set the NAFTA achievements as basic conditions in the FTAA negotiations, it provoked fervent opposition from the side of the Latin American developing countries. Considering their number on the one hand and the worsening of Mexican privileges as a result of a NAFTA-like FTAA agreement, the U.S. proposal could not win the support of the majority of the negotiating parties. In other words, the developing countries of the American continent proposed an arrangement that is fully WTO-compatible. Higher achievements were expected from future WTO talks, especially after the formation of the G20 bargaining group, despite the discouraging outcome of the 2003 Cancún ministerial.⁸⁶

The strengthened bargaining capacities gained by the developing countries did not leave the FTAA negotiations intact. Moreover, realizing preferences and interests by WTO agreements emerged as the major alternative to the FTAA under discussion. Accordingly, the higher number and the complexity of subregional arrangements existing in the Americas provided another alternative framework for further negotiations. The perspectives seen in these subregional arrangements are well illustrated by the comment of the then Brazilian foreign minister Celso Lafer who claimed that “The FTAA is not our destiny in the same way as Mercosur is our destiny. (...) Mercosur is a necessity rather than an option.”⁸⁷ Consequently, the U.S. had to face the simultaneous existence of two viable alternatives. The aim of the American negotiation strategy was to reduce the value of these possible paths.

4.2 Developing NAFTA and NAFTA Plus agreements

Even though opposition of a WTO-lite version of the FTAA was present from the late 1990s when the negotiating parties started to discuss the agenda points of the future talks, the

⁸⁶ For details, consult: Arashiro, *Negotiating the FTAA*, 43.

⁸⁷ “Brazilian Minister Resists Speeding Up FTAA, Emphasizes Mercosur,” *World Trade Online*, March 9, 2001, under “Inside U.S. Trade,” <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-03/09/2001/brazilian-minister-resists-speeding-up-ftaa-emphasizes-mercotur/menu-id-710.html> (accessed May 10, 2013).

United States intended to expand the circle of the supporters of the NAFTA-like alternative in order to enlarge the bargaining group it could rely on at the FTAA talks.

Despite their developing economy status and the preferences originating from this, the five Central American states were open to a comprehensive free trade agreement to be concluded with the U.S. Even though this overture and the surprising interest in a NAFTA-like deal was driven by the motivation to regain those privileges they were provided by the Caribbean Basin Initiative of the Reagan Administration in the late 1980s, which they lost by the conclusion of NAFTA providing greater access for Mexico, this step provided the opportunity for the U.S. to expand the circle of the countries that are willing to accept regulations beyond WTO.⁸⁸ Their additional motivation was to secure their access to the American markets even in case the FTAA negotiations are delayed.⁸⁹ Their willingness to accept NAFTA-level regulations was also advantageous in terms of the long-term goals of the U.S. with the FTAA, since it proved the possibility of the conclusion of such an agreement between a developed and a developing country.⁹⁰ With this step, the U.S. gained a significant bargaining potential by which it could easily weaken the main arguments of the Latin American developing countries.

Apart from the Central American countries, Chile also has deep interests in building strong free trade relations with the U.S. Moreover, Chile was an important ally of the U.S. in Asia-Pacific trade liberalization. Being cognizant of the long-standing Chilean intention to become the “fourth amigo of NAFTA”⁹¹, the United States approached Chile with a proposal

⁸⁸ “Free Trade with Central America: Summary of the U.S.-Central America Free Trade Agreement,” December 17, 2003, under “Free Trade Agreements,” http://www.ustr.gov/webfm_send/2634 (accessed May 21, 2013).

⁸⁹ For details on the CAFTA-DR-U.S. FTA, consult José M. Salazar-Xirinachs and Jaime Granados, “The US-Central America Free Trade Agreement: Opportunities and Challenges,” in *Free Trade Agreements: US Strategies and Priorities*, ed. Jeffrey J. Schott (Washington, DC: Peterson Institute of International Economics, 2004), 225-275, esp. 234.

⁹⁰ Ibid., 230-231.; “U.S., Central American Nations Launch FTA Negotiations,” *World Trade Online*, January 8, 2003, under “Documents,” <http://insidetrade.com/WTO-Doc-Archive/Text-Document/us-central-american-nations-launch-fta-negotiations/menu-id-618.html> (accessed May 20, 2013).

⁹¹ Arashiro, *Negotiating the FTAA*, 31.

for concluding a free trade agreement on the basis of the NAFTA provisions.⁹² However, the U.S.' underlying motivation was to establish another agreement that could serve as a model for further FTAs and therefore facilitate moves toward the FTAA. This was acknowledged by Deputy USTR Richard Fisher, who however added that "an FTA with Chile would set an example for the rest of the hemisphere the benefits that trade liberalization can bring. But to get beyond Chile and move toward an FTAA, the U.S. must engage Brazil".⁹³

In other words, even though the U.S. decision-makers recognized the political benefits of the symbolic contents of such agreements, they considered Brazil the key country to win for the case of the FTAA. Brazil was the leader not only the major Latin American economic cooperative bloc Mercosur but also one of the prominent members of the developed countries' bargaining group at the supraregional negotiations. Therefore, the general American assumption was that in order to create a Free Trade Area of the Americas, most of all Brazil needs to be persuaded.

4.3 The U.S. approach to Mercosur

Apart from Brazil's strong leadership role among the developing economies, the lower level of dependence from the American market made the bigger South American countries less flexible in the FTAA negotiations. Besides the fact that this meant less willingness to make concessions, they were also more reluctant to agree with the U.S. on the negotiations agenda.

As is clear from Richard Fisher's statement cited above, the U.S. handled Mercosur as a single unit to approach during the negotiations procedure. More importantly, Mercosur was primarily understood as the bandwagoning bloc of Brazil, which is strengthened by the fact

⁹² "United States – Chile Free Trade Agreement," June 6, 2003, under "Free Trade Agreements," <http://www.ustr.gov/trade-agreements/free-trade-agreements/chile-fta/final-text> (accessed May 21, 2013).

⁹³ "U.S.-Chile FTA Could Open Door For FTAA, According To Fisher," *World Trade Online*, January 26, 2001, under "Inside U.S. Trade," <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-01/26/2001/us-chile-fta-could-open-door-for-ftaa-according-to-fisher/menu-id-710.html> (accessed May 10, 2013).

that despite the Argentine foreign minister's claim for that the further integration of Mercosur should not go at the expense of progress in FTAA talks⁹⁴, the U.S. disregarded the Argentinean commitment. Since Mercosur's further integration would have contributed to less flexibility due to the higher standard of minimum achievements, Argentina's preference for the development of the FTAA bore a considerable amount of potential the U.S. did not utilize. On the other hand, Caricom, though knowingly standing on the same platform as Mercosur countries in terms of the scope of a future agreement⁹⁵, could also have been utilized for bloc-building purposes. Even though the poor and small countries were promised earlier market accession as well as an extended deadline for implementing the provisions of a future agreement⁹⁶, Brazil strongly opposed the plan due to the disadvantageous position such a decision would put it to.

Despite the inevitable American leadership in the FTAA process from the very beginning, Brazil was also in a position to influence the content of the agenda in a meaningful way, especially after the introduction of a U.S.-Brazilian co-chairmanship at the last phase of negotiations preceding the final breakdown. Brazil, representing the Southern developing countries, fought for the inclusion of agriculture, the elimination of export subsidies, and the reduction of anti-dumping measures in the agenda, and at the same time the submission of service trade and investment-related questions to the WTO. On the contrary, the U.S. was willing to handle agriculture-related issues to the supraregional level since there it could

⁹⁴ "Argentine Minister Says Summit Key To Moving FTAA Deadline," *World Trade Online*, February 9, 2001, under "Inside U.S. Trade," <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-02/09/2001/argentine-minister-says-summit-key-to-moving-ftaa-deadline/menu-id-710.html> (accessed May 10, 2013).

⁹⁵ Nicola Phillips, "The Politics of Trade and the Limits to U.S. Power in the Americas," in *The Political Economy of Hemispheric Integration. Responding to Globalization in the Americas*, ed. Diego Sánchez-Ancochea and Kenneth C. Shadlen (New York, NY: Palgrave Macmillan, 2008), 161.; Phillips, "U.S. Power and the Politics of Economic Governance," esp. 11.

⁹⁶ "FTAA Countries Agree On Outline For Treatment Of Small Economies," *World Trade Online*, October 12, 2001, under "Inside U.S. Trade," <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-10/12/2001/ftaa-countries-agree-on-outline-for-treatment-of-small-economies/menu-id-710.html> (accessed May 10, 2013).

expect for less concessions, and keep services and intellectual property rights on the table.⁹⁷ Moreover, the strong symbolic content of the preferences of the two agenda-setters made flexibility and concession-making willingness even more difficult to increase, which ultimately meant that the conflict in preferences for issues to be arranged under the FTAA proved to be intractable.

4.4 Analysis

In the case of the Free Trade Area of the Americas project, the deadlock situation emerged because from the early 2000s on the parties did not manage to agree on the content and the scope of a future agreement. While the United States' intention was to create a Hemisphere-wide trade liberalization regime following the scope and depth of NAFTA, its Latin American partners regarded a WTO-compatible agreement as their optimum.

In the case of the FTAA negotiations, the U.S. followed the two-track approach that was introduced in the previous chapter in relation to the APEC trade liberalization project. Again, the U.S. established closer cooperation with the countries more dependent on the American market and therefore more willing to give their support to the realization of the American trade liberalization agenda. The Central American countries coupled with Chile belonged to this group. Their greater concession-making willingness and lower bargaining positions originating from their dependence from the United States were the key factors in making the U.S. able to include regulation of investments, trade in services, and the protection of intellectual property rights in free trade agreements with countries whose economic profile did not necessarily require such provisions. Accordingly, the U.S. approached Mercosur,

⁹⁷ "FTAA Agreement Hides Divisions On Agriculture, Trade Remedies," *World Trade Online*, April 13, 2001, under "Inside U.S. Trade," <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-04/13/2001/ftaa-agreement-hides-divisions-on-agriculture-trade-remedies/menu-id-710.html> (accessed May 10, 2013). On details of Brazil's issue distribution see: Albert Fishlow, "Brazil: FTA or FTAA or WTO?," in *Free Trade Agreements: US Strategies and Priorities*, ed. Jeffrey E. Schott (Washington, DC: Peterson Institute of International Economics, 2004), 277-296.

which was the group to be regarded as the most fervent opponents of the American ideas for an FTAA. Still, the policy toward Mercosur was fundamentally different from the one aiming at the dissolution of the China-Japan-Korea triangle. As opposed to the East Asian bloc, Mercosur was perceived as a single unit, which deprived the U.S. from a handful of policy options that assisted it in breaking the China-Japan-Korea triangle. Handling Mercosur as an independent and unified bloc made it impossible to exploit the possibilities for creating comparative inequalities between its members. Despite the fact that Argentina regarded the FTAA as being as viable as the deepening of integration within Mercosur, which provided the chance for the U.S. to utilize Argentina's greater willingness to make concessions that would facilitate the creation of a hemisphere-wide free trade area, the U.S. ignored these signs. Based on the lessons learned from the effective policy toward breaking in-group coherence in East Asia, it can be assumed that a similar policy for bringing Argentina closer to the U.S. and ultimately engaging it with the case of the FTAA would have well assisted the U.S. in breaking down the reservations of the other Mercosur countries. Such a development would have easily led to a stronger Brazilian commitment to FTAA by increasing its concession-making willingness.

While in the case of the East Asian bloc, the U.S. established relations with Korea that was the weakest member of the coalition, in the case of Mercosur, the U.S. took a different approach, which could however be traced back to its vision of Mercosur as a single bloc and Brazil as its single representative. Despite being aware of the fact that Brazil, due to its own economic preferences and the symbolic content of its role as a main leader of the global-range bloc of developing countries, was the least flexible one in terms of agenda-setting concessions among its Latin American negotiation partners, the U.S.' bargaining policy was focused almost exclusively on it. Moreover, sharing the FTAA negotiations chairmanship with Brazil in the deadlock phase of the talks was another question that contributed to that the Free Trade

Area of the Americas has not been realized. The strong American leadership intentions could be effectively disguised by the co-chairing system, which could have increased bargaining willingness by changing the general atmosphere of the negotiations. The fact that due to the prevalent chasms between the trade liberalization preferences of the two countries the co-chairing system did not provide the suitable impetus for the negotiations reinforces the argument that the U.S.' special treatment of Brazil was another component of the inability of resolving the deadlock at the FTAA talks.

CONCLUSION

As is clear from the parallel case studies, the United States was committed to creating regional trade liberalization regimes that promote its trade liberalization principles and at the same time avoiding concessions that would endanger the privileged position of domestic producers and products on its own market. Coalition-building activity at regional trade liberalization talks both in the case of APEC and the FTAA aimed at winning the widest possible consent for this agenda. The strategies applied provide a certain pattern in both cases concerned.

Even though the different coalition-building activities show a certain geographical difference due to the presence of the traditional North-South division, differentiating between these activities makes more sense by approaching them from the perspective of economic development status and export profiles. Both in the case of APEC and the FTAA, the United States used a two-track strategy. On the one hand, it targeted those negotiating partners who were expected to be more flexible toward the agenda it proposed and more willing to make concessions in order to make the projects realized. On the other hand, in order to further increase the weight of its own bargaining coalition, the U.S. also approached those countries who were supposed to be more reluctant in making concessions and had a viable alternative for the agreement under negotiation. Being aware of the potential these countries would presumably offer in increasing the bargaining capacity of the bloc of supporters of its initiatives, the U.S. could not afford to leave this group of countries intact. Theoretically there was also a good chance that in the case of a win-win outcome of bargaining on concessions, due to the similarities in economic production profiles, the international trade issue areas of utmost importance for the U.S. would be included in the prospective agreements. However, the ideal balance of concessions that makes the conclusion of an agreement possible was

difficult to achieve. This explains the unusually long process of concluding the KORUS Free Trade Agreement, the temporary breakdown of U.S.-Japan bilateral negotiations for harmonizing trade relations, and ultimately, Brazil's ability to hold its position as the representative of the developing economies so strongly.

Despite these similarities in the American coalition-building strategies on moving negotiations out of the deadlocks in the APEC and the FTAA talks, the two procedures differed from each other at some important points. Though both in Mercosur and in the China-Japan-Korea triangle, members were interconnected by free trade agreements or a dense network of cooperation and mutual privileges, in the first case it was more evident for the U.S. to weaken the ties between those countries by making at least one of them more closely related to the United States. Besides the fact that the Asia-Pacific developments toward the Trans-Pacific Partnership inevitably increased the weight of the U.S.-led coalition most interested in the creation of the FTAAP, which was a major difference from the U.S.' coalition in the Americas, the strategy applied in approaching the most powerful bargaining conglomerate consisting of China, Japan, and Korea had a decisive impact on the outcome of the formation of an FTAAP-friendly coalition.

The other major difference in coalition-building strategies lies in the selection of the potential partners from the strongest opponent bargaining group. While in the case of APEC negotiations, the United States entered the strongly interconnected China-Japan-Korea bloc in order to break in-group coherence by creating comparative disadvantages, in the case of the FTAA talks, Mercosur was handled rather as a single unit despite the fact that the U.S. had the chance to provoke disintegrating tendencies similar to that in the China-Japan-Korea conglomerate. Moreover, while the United States strategy toward the East Asian bloc targeted the country whose trade liberalization principles opposed those of the U.S. the least and there was a better prospect for flexibility, in the case of the FTAA talks, the U.S. negotiated almost

exclusively with Brazil, worsening the chances again for weakening the Southern bloc considerably.

What can we say then: Why can certain regionalization projects move out of deadlocks present at their creation and others not? More precisely, what factors can effectively contribute to breaking such deadlocks? As was seen in the analysis, it was essential for the United States to reach a critical mass of supporters to make its proposal accepted as the core APEC agenda. This critical mass could be reached only by following the double-track strategy of approaching the potential supporters as well as those who had the strongest BATNAs. Therefore, taking it more generally, a simultaneous process targeting both the most and the least willing is a factor of utmost importance that can effectively contribute to the breaking of deadlocks. At least as much important is to address the countries one-by-one in attempts to break bloc consensus since such policies can lead to the emergence of in-bloc comparative disadvantages which have a considerable disintegrating impact. The effectiveness of the American policy toward the China-Japan-Korea bloc and the less fruitful approach toward Mercosur as a single unit underlines this argument. Accordingly, as both the positive impact of winning the support of Korea and Japan first instead of China on the velocity of the growth of the U.S.-led coalition and the paralyzing effects of a long U.S.-Brazilian bargaining term on the FTAA agenda demonstrate, approaching the most flexible members of the least willing is more beneficial than an attempt to win the support of the strongest.

Though negotiation analysis is only one possible tool in investigating the dynamics of the process of regionalization, the findings of this thesis are suitable for extensive application. Considering that all negotiations with at least three participants are structurally isomorphic, the generalized strategies extrapolated from the findings of this research are extensible to negotiations proceeding even at the supra-regional or the global level. Accordingly, since

regime-building negotiations, be on trade, environmental issues, or security, are regarded as a single category, the findings of this research on trade liberalization talks can be applied also to other types of negotiations falling within this category. Though the generalized strategies can already serve as an appropriate tool in everyday negotiation practice, further research can expand or specify this list of strategies so as to create a toolkit to be used in international regime-building negotiations.

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APPENDIX

Typology of reasons for deadlocks and exit strategies

Factors		Reasons	Strategies
EXTERNAL	Domestic influence	domestic interests change (Narlikar) pressure from peers, organization, or administrative authorities (Faure)	reframing the issue (Narlikar) alliance with external parties, introducing superordinate value (Faure)
	Institutional peculiarities	institutional structures, e.g. voting policies, single undertaking (Narlikar)	new norms and working practices (Narlikar)
INTERNAL	Normative issues and content	personal dishonesty, personalization of interests and arguments, mistrust (Faure) lack of fairness and justice (Narlikar)	changing negotiators (Faure) greater attention to normative issues, e.g. reframing the normative content of issues (Narlikar)
	Communication	negotiations bluff and lie (Narlikar) - high level of uncertainty and distrust - non-credible communication differences in perceptions and uncertainty (Faure) insufficient information, unfair trade-offs, mistrust, concessions made in an inappropriate way (Faure)	more effective communication mechanisms (Narlikar) reframing the problem (Faure) - new info and data introduced - creating more attractive focal point - decommitting formula (Faure)

I N T E R N A L			<p>better quality of bargaining relationship (Brown)</p> <ul style="list-style-type: none"> - proper information exchange - shared understanding of facts
	Negotiation procedure	<p>balance of power (Narlikar)</p> <p>no chance for imposing will on others</p> <p>lack of further resources, unfavorable power relations, strongly conflicting issues (Faure)</p> <p>BATNA is superior to the agreement under construction and parties are unwilling to make concessions (Narlikar)</p>	<ul style="list-style-type: none"> - new institutional countermeasures, e.g. new voting rules (Narlikar) - coalition-building (Narlikar) - coalition-building - introducing mediator or relying on external party - issue aggregation - expanding the zone of agreement, gains outweigh BATNA (Narlikar) - persuading others to change evaluation of alternatives - fractionating/decomposition of issues - suggesting further alternatives (Persson)

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