UDC 339.9

Implementation of U.S. Global Goals: Continental Integration Context*

YAROSLAVA STOLYARCHUK
ANDRII SVETLOV[1]

ABSTRACT. The article provides efficiency assessment regarding existing mechanisms of the U.S. national interests' implementation at the global level in terms of international competition aggravation and formation of the new global economic competition centers. Based on comparative analysis of the leverage for U.S. leadership in global competition it has been proven that currently the highest efficiency is demonstrated by the integration strategies of the USA in Latin America focused on maximizing implementation of the economic interests of U.S. transnational corporations in the region. It has been proven that the observed profound asymmetries regarding socio-economic development of the North and Latin America countries objectively requires implementation of the effective institutional mechanisms for leveling the negative effects generated by the trade and investment liberalization processes.

KEY WORDS: U.S. global goals, regional economic integration, U.S. Pan-American integration strategy transformation, NAFTA, FTAA, trade and investment regimes liberalization, free trade, fair trade.

Introduction

As evidenced by the economic life realities, early in the 21st century transformation processes in the global economy have significantly dynamicized gaining persistent nature and resulting in the formation of a global model of economic development. The formal characteristics thereof, on the one hand, imply enhancing integrity and unity of the international economic system structural elements based on increasing degree of national economies trans-nationalization and integration, and on the other hand, escalating competition among international economic relationship participants for achieving global economic leadership and establishing control

*This article was translated from its original in Ukrainian

[1] **Yaroslava M. Stolyarchuk** — Doctor of Economics, Professor of the International Economy Department of Kyiv National Economic University named after Vadym Hetman, State Higher Education Establishment. Area of expertise: global economic development asymmetry, financial imbalances, international economic integration and globalization, bilateral economic relations, global transformation of the world labor market and international labor migration, international competitiveness management, countercyclical regulation of the global economy. E-mail: stolyaroslava@yandex.ru

Andrii A. Svetlov — Postgraduate of the International Economy Department of Kyiv National Economic University named after Vadym Hetman, State Higher Education Establishment. 1_june@mail.ru

IEP, № 18, (2013) pp. 20—38

ISSN 1811-9832/2013/№ 1 (18)

over the global natural, industrial, technological, informational and financial resources.

Given such conditions, the current model of global economic power distribution undergoes substantial modification, as along with the global Triad major powers a number of former outsider countries in terms of global economy start claiming leading positions in the civilization progress. These primarily include BRICS countries in possession of resources and having dynamic economies as well as newly industrialized countries of Asia and Latin America, which due to the maximum mobilization of the national resource potential and effective use of the economic development globalization factors have realistic chances of becoming new global centers of economic, technological and financial power in the near future.

All this determines the objective need for both optimizing and adjusting the existing mechanisms of the U.S. global goals implementing to the current global economic order conditions. If regarded concisely, the said mechanisms imply the USA maintaining global economic leadership due to the dominant position in the global management institutions and significant impact on economic development of the less developed countries, as well as strengthening competitive positions of the U.S. transnational corporations in the global markets for goods, services, capital, innovation and finance.

Among scientific works dedicated to studying the nature, driving forces, factors of transformation and vector direction of the global integration processes, the works of the following scientists should be mentioned: L. Binford[1], T. Besedes[2], I. Hladiy[3], I.Gladkov[4], A. Yevdokimov[5], J. Castro-Rea[6], Ye. Komkova[7], D. Lukyanenko[8], J. McKinney[9], R. Pastor[10], L. Rebmann[1], D. Salvatore[2],

---

[1] *Binford L.*, Tomorrow we're all going to the harvest: temporary foreign worker programs and neoliberal political economy (University of Texas Press, 2013), 281 p.

[2] *Besedes T.*, «The role of NAFTA and returns to scale in export duration,» Social Science Research Network, Working Paper Se*ries* (January 2012). [Electronic resource]. Available from: http://papers.ssrn.com/sol3/papers.cfm? abstract_id=1856313

[3] *Hladiy I. Y., Zvarych I. Y.*, International production networks in Europe, Monograph (Ternopil: *Ekonomichna dumka,* 2011), 292 p.

[4] *Gladkov I. S.*, «MERCOSUR: success and difficulties of economic integration process,» I.S. Gladkov, N.N. Nuñes-Sarantseva, *International economy* No.7 (2012): 14—40 p.

[5] *Yevdokimov A. I.,* «Integration processes in Latin America countries: problems and prospects,» A. I. Yevdokimov, L. V. Gruk, *Problems of contemporary economy* No.2 (2011): 92—97 p.

[6] *Castro-Rea Julian*., Our North America: social and political issues beyond NAFTA (Ashgate Publishing Limited, 2012), 327 p.

[7] *Komkova Y. G.*, «New stage in USA-Canada integration,» USA-Canada: Economics — politics — culture No.5 (2008): 15-30 p.

[8] *Lukianenko D. H.,* Global economic integration: Monograph (K.: Natsionalny Pidruchnyk LLC, 2008), 220 p.

[9] *McKinney J.*, Economic integration in the Americas, McKinney J., Gardner H. S. (Routledge: 2008), 253 p.

[10] *Pastor R.*, The North American idea: a vision of a continental future (Oxford University Press, 2011), 228 p.

Pastor R., Toward a North American Community: lessons from the old world for the new (Institute for International Economics, 2001), 207 p.

G. Hufbauer[3], V. Chuzhykov[4]. However, the issue of studying the role of U.S. regional integration strategies for the Pan-American region in terms of the U.S. competitive development and maintaining global economic leadership has remained insufficiently covered up to now, thus becoming this article objective.

Information base of the article comprises monographs and articles by both national and foreign scientists published in periodicals dedicated to the issues of the United States global economic leadership and regional integration process in North and Latin America, as well as statistical data of the international financial and economic organizations.

Key mechanisms of the U.S. global goals implementation

Currently, the following key mechanisms of the United States global goals implementation can be identified: 1) dominant role of the country in terms of international financial and economic organizations activities; 2) active foreign economic diplomacy creating favorable conditions for strengthening competitive position of the U.S. transnational corporations in the global markets[5]; 3) implementation of integration strategies in the Pan-American region.

As for the U.S. leadership in the global economic management institutions, these enable 'imposing' certain economic development models on the less developed countries by means of 'adjusting' them to the strategies of U.S. corporations and adopting decisions favorable for the said institutions. The best example of this would be the Washington Consensus developed by the IMF and the U.S. government in 1989 as a consolidated list of the market reform measures in terms of the less developed countries national economies. As known, those measures were mainly aimed at trade and foreign investment liberalization, expanding taxation base and lowering tax rates, introduction of the floating exchange rate regime as well as the public sector privatization and reducing government regulation of the economic processes[6].

---

[1] *Rebmann L.*, «ALCA — free trade area in America,» Global economy and international relations No.1 (2007), 77 — 83 p.

[2] *Salvatore D.*, «Measuring the economic effects of NAFTA on Mexico,» CESifo Forum 2010 (2010), p. 31—37.

[3] *Hufbauer G.,* NAFTA revisited: achievements and challenges, Hufbauer G., Schott J. (Kirby Lithographic Company, Inc., 2005), 492 p.

[4] *Chuzhykov V. I.,* Global Regional Studies: history and contemporary methodology: Monograph (K.: KNEU, 2008), 272 p.

[5] *Bayne N., Woolcock S.*, The new economic diplomacy: decision-making and negotiation in international economic relations (UK: Ashgate Publishing Limited), 151—168 p.

[6] *Williamson J. A.*, «Short History of the Washington Consensus,» Paper commissioned by Fundacion CIDOB for a conference «From the Washington Consensus towards a new Global

As shown by the international experience, implementation of the Washington Consensus concepts by the economic development strategies of Latin American, African and Asian regions[1] enabled them to achieve certain progress towards integration into the global economy. In particular, this is evidenced by the fact that during the period from 1990 to 2011, the export quota of African countries increased from 21 % to 32 %; that of Latin America and the Caribbean countries increased from 13 % to 20 %, whereas that of the Asian developing countries showed increase from 26 % to 37 % respectively[2].

At the same time, implementation of the Washington Consensus provisions regarding state property deregulation and privatization contributed to the active influx of foreign investment to the less developed countries with growth thereof over the 1990—2011 period making as follows: Africa — 841 %, Latin America and the Caribbean countries — 1739 %, Asian developing countries — 1064 %[3].

Attention should also be paid to such positive factor as active engagement of less developed countries in the production networks of Western transnational corporations. This is confirmed by data on the export share of intermediate goods growth during the 1990-2011 period in total merchandise exports of such countries as Brazil — from 71.5 % to 77.7 %, India – from 41 % to 52.7 % , Thailand — from 35.9 % to 57.4 %, South African Republic — from 44% to 73.6%, etc. [4].

However, even with all the positive effects of implementing the Washington Consensus provisions in the economic development strategies of backward countries taken into account, not all the suggested tools proved appropriate for this group of countries. First of all, this implied underestimation of the role of the state in the transformation process and certain disregard of the need for institutional reform, lacking which the efforts for stabilization, liberalization and privatization often proved not sufficiently effective.

Furthermore, in terms of contents the Washington Consensus did not appear to be aimed at fostering competitive national economies

---

Governance» (Barcelona, September 24—25, 2004). [Electronic resource]. Available from: http://www.iie.com/publications/papers/williamson0904-2.pdf

[1] *Steger M. B., Roy R. K.*, Neoliberalism: A Very Short Introduction (Oxford University Press, 2010), 150 P.

[2] Calculated by the authors based on analyzing data from the following sources: Nominal and real GDP, total and per capita, annual, 1970—2011, Values and shares of merchandise exports and imports, annual, 1948—2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx

[3] Calculated by the authors based on analyzing data from the following sources: Inward and outward foreign direct investment stock, annual, 1980—2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ReportFolders/ reportFolders.aspx

[4] «STAN Bilateral Trade Database by Industry and End-use category,» *Industry and Service Statistics* (MEI), (OECD). [Electronic resource]. Available from: http://stats.oecd.org

of the backward countries, but was rather intended to ensure comprehensive control over the actions by their national governments as well as over proper use of the credit funds by the backward countries in debt. Thus, it is not coincidental that after a number of currency and financial crises in Latin America countries during the 1990s and early 2000s, particularly, in Mexico (1994), Brazil (1998–1999), Argentina (2001), their governments ceased directly following the Washington Consensus principles in terms of implementing national economic policies.

As far as the foreign economic diplomacy of the United States in terms of implementing global goals is concerned, its main task implies comprehensive lobbying the interests of the American large businesses by the U.S. government under the existing trade and investment regimes. First of all, this is implied by the current Doha Round of WTO negotiations (started in 2001), in terms of which the United States proves to be the primary 'conductor' of the global trade in services liberalization processes; as well as by introduction of intellectual property rights and foreign investment protection mechanisms, competition and public procurement policy liberalization, e-commerce promotion, etc.[1].

Thus, the U.S. has all the leverage on other countries for ensuring their compliance with intellectual property rights and eliminating trade barriers restricting the export of U.S. goods and services as well as direct investment of both private and public funds. To this end, the U.S. Trade Representative in close cooperation with the Federal Bureau of Investigation, Ministry of Justice and the Customs prepares an annual report on trade barriers imposed by different countries and submits the report to the U.S. Senate Committee on Finance and respective committees of the U.S. House of Representatives.

This allows drawing a conclusion as to the situation in the world concerning intellectual property protection and adopting a decision on whether there is a reason to believe that the government of a foreign country denies U.S. implementation of the rights granted by trade agreements or takes measures against United States interests and international agreements in the field. This fact also provides evidence that through official negotiations at the international level the U.S. contributes to strengthening positions of American transnational corporations on a global scale, especially, in the areas where the latter have achieved a sustainable competitive advantage, primarily, in trade of services and technologies as well as in the field of industrial and investment cooperation.

---

[1] Doha WTO Ministerial 2001: Ministerial Declaration. [Electronic resource]. Available from: http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

However, the main disadvantage of using this instrument of U.S. global goals implementation implies that foreign economic diplomacy may prove ineffective in case of failure to reach a consensus with partner countries in the negotiation process. Thus, as per early 2013 the Doha Round of WTO negotiations has not yet been completed because of the existing differences in the economic interests of developed countries and developing ones regarding liberalization of trade in agricultural goods and services as well as concerning intellectual property protection mechanisms.

Finally, another key instrument of achieving U.S. global goals is implementation of the regional integration strategy, especially in the Latin America region. Awareness of this direction importance at the highest level is evidenced by the fact that through the first message to Congress (State of the Union Address) the U.S. President Barack Obama set a strategic task on doubling the national merchandise exports by 2015 via implementation of trade agreements. In this regard, he said: «... We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores... But realizing those benefits also means enforcing those agreements so our trading partners play by the rules. (Applause.) And that's why we'll continue to shape a Doha trade agreement that opens global markets and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia»[1].

In this regard, a remarkable fact can be noted that even three years after proclaiming this message the U.S. is still conducting negotiations on the Trans-Pacific Partnership (TPP) with the countries of the Asia-Pacific region, while regarding the Pan-American region free trade agreements with Colombia, Panama and Peru have already been ratified. Moreover, as per today the United States has concluded agreements on preferential and free trade zones with another 12 Latin America countries (the aggregate GDP of which totaled USD 3.9 trillion in 2011), whereas in 2011 the U.S. entered into Agreement on Trade and Economic Cooperation Between the Government of the United States of America and the Government of the Federative Republic of Brazil, with Brazil being

[1] 2010 Remarks by the President in State of the Union Address. [Electronic resource]. Available from: http://www.whitehouse.gov/the-press-office/remarks-president-state-union-address

«...Third, we need to export more of our goods. (Applause.) Because the more products we make and sell to other countries, the more jobs we support right here in America. (Applause.) So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America. (Applause.) To help meet this goal, we're launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security. (Applause.) We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores. (Applause.) But realizing those benefits also means enforcing those agreements so our trading partners play by the rules. (Applause.) And that's why we'll continue to shape a Doha trade agreement that opens global markets, and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia. (Applause.)».

the second largest economy in Latin America (GDP amounted to USD 2.4 trillion in 2011).[1]

Thus, the high dynamics of implementing the United States integration policies in the Pan-American region as well as involving U.S. partner countries by NAFTA (Canada and Mexico) in the negotiations on TPP establishment[2] indicates the Latin America region priority in terms of the United States implementing its global goals.

U.S. Pan-American integration strategy transformation in the early 21st century

Pan-Americanism, as the idea implying political and economic alliance of the North and Latin America countries, has enjoyed the final institutional establishment late in the 20th century, namely in 1994, as 34 democratic countries in the region initiated negotiations on the Free Trade Area of America (FTAA) establishing. However, the idea origins date back to the 19th century and relate to the adoption of the so-called Monroe Doctrine (1823), which implied proclamation of the Western Hemisphere the United States zone of economic and political influence[3].

In the late 19th century the integration initiatives of the United States were given a powerful impetus by formation of the first international monopolistic unions and transnational corporations in the country, and hence high dynamism of the U.S. economy monopolization and the U.S. foreign trade intensification. This required expanding sales markets of transnational corporations, thus in 1889—1890 the Pan-American Congress was held with the purpose of discussing implementation of continental mechanisms for inter-state disputes settlement in the field of trade due to the establishment of a customs union between the Western Hemisphere countries[4]. In other words, the main purpose of the customs union establishment was creation of an integration bloc protective against European countries along with weakening exports positions of the latter in the markets of Latin America countries and slowdown of their economic growth rates.

---

[1] Nominal and real GDP, total and per capita, annual, 1970—2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ReportFolders/report Folders.aspx

[2] Stuart T., Japan wants to join TPP; North American trade activists look ahead to possible Canadian round. [Electronic resource]. Available from: http://rabble.ca/blogs/ bloggers/council-canadians/2013/03/japan-wants-join-tpp-north-american-trade-activists-look-ah

[3] Reciprocity 1860-1922. Encyclopedia of the New American nation. [Electronic resource]. Available from: http://www.americanforeignrelations.com/O-W/Reciprocity-1860-1922.html#b

Transcript of Monroe Doctrine. The Our Documents Initiative. [Electronic resource]. Available from: http://www.ourdocuments.gov/doc.php?flash=true&doc=23&page= transcript

[4] Sweet W.W., «A History of Latin America,» *The Abingdon Press* (New York: Cincinnati, 1919), p. 261

It is not accidental that this integration initiative was at the time regarded a key instrument of the U.S. competitive struggle against Western Europe countries. However, an obstacle to its practical implementation was trade overexposure of the Latin American countries to their mother countries, i.e. those of the Western Europe.

Certain intensification of economic integration in the Pan-American region was observed during the period following the end of World War II, which was characterized by rapid development of regional integration in the Western Europe and the U.S. becoming a global economic leader. However, since 1945 and until the early 1990s, the Pan-American region has been characterized by a distinct fragmentation of continental economic space along with formation of several sub-regional protectionist trade blocs: on the one hand, formed by developed countries (Canada and USA), and on the other hand by the less developed Latin America and the Caribbean countries.

As regards integration cooperation between Canada and the U.S., its key objective was primarily to stimulate cooperation between manufacturers of automotive products along with creation of the regional production network in this field. Institutional establishment of such cooperation was reflected by adoption of the so-called Autopact (Canada-United States Automotive Products Agreement) in 1965 and formation of the Canada-United States Free Trade Area (CUSFTA) in 1989.

It was during the rapid pace economic integration in Western Europe (1950s and 1960s) that the single regional market was formed and Latin America countries have implemented their opportunity to use the European model of integration as the mechanism for achieving the goals of national socio-economic development. However, while European integration was based on the free trade principles and not aimed at restricting competition with other countries, concerning the Latin America region prevailing value was gained by implementation of protectionist trade policies based on import substitution and subsidizing state-owned enterprises.

Along with that, since the 1980s as influenced by the high levels of sovereign debts and further defaults in a number of countries in the region (Argentina, Bolivia, Venezuela, Mexico, Peru, Chile and others) as well as by reduced international competitiveness of their national companies due to overexposure to public funding, an objective need emerged for drastic transformation of national economic policies of the Latin America countries aimed at market reforming, attracting foreign capital and foreign trade liberalization. It was not accidentally that the early 1990s were characterized by both neo-liberal transformation of economic development models in the less developed countries of the Western Hemisphere and democratic transformations in them.

Thus, one of the tools for adjusting transitional economies of the Latin America countries to new competitive conditions implied exactly regional and bilateral integration strategies of interaction with developed countries. At that, the so-called American Initiative (The Enterprise for the Americas Initiative) was adopted in 1990 with its main task being creation of a free trade zone on the Western Hemisphere scale by means of concluding international agreements on free trade, establishing regional investment funds for granting loans to companies and addressing the sovereign debt problems of the Latin America region countries[1].

Another institutional confirmation of strengthening economic convergence between national economies of the two sub-regions in the Western Hemisphere was establishment of NAFTA integration bloc uniting them by means of inviting a less developed country – Mexico to the free trade zone between the United States and Canada. In general, the 1990s and the 2000s have been a period of implementing diverse and mostly bilateral integration initiatives between countries of the Pan-American region North and South.

Institutional mechanisms of ensuring U.S. economic expansion in the Latin America region

The principal difference between the U.S. contemporary Pan-American integration strategy and the 19th century strategy is that the contemporary one is based on the principles of free trade, democratic values and is not coercive. The current U.S. strategic priorities in the Latin America region imply liberalization of markets, democracy strengthening and combating drug trafficking.

Along with that, the U.S. Council on Foreign Relations Task Force identifies four U.S. priorities in terms of Latin America-directed policy: 1) combating poverty and income distribution inequality; 2) ensuring safety of citizens; 3) free migratory movement of population; 4) ensuring energy security and enhancing integration[2]. Therefore, in general terms cooperation between the U.S. and Latin America countries has by now gone well beyond economic cooperation as such by including in its 'orbit' interstate cooperation in such fields as migration, politics and security.

However, at present a major restricting factor for Pan-American regional integration enhancement implies significant asymmetries in

---

[1] «The Enterprise for the Americas Initiative: Description and Up-date,» The Development Group for Alternative Policies, Inc. (Washington DC: October 1992).

[2] Barshefsky C., Hill J.T., O'Neill S.K., «U.S. — Latin America Relations: A New Direction for a New Reality,» Council on Foreign Relations, *Report of an Independent Task Force* No. 60 (New York: 2008), p. 7, 10

terms of the socio-economic development levels regarding countries of North America and Latin America. First of all, such factors as population's income level, education level and life expectancy taken together determine the Human Development Index. For example, Haiti's gross national income (GNI) index per capita makes only 3 % of the corresponding U.S. figure. Moreover, by 2011 results circa 30 % of all Latin America countries showed medium and low human development level with the income levels of their population making less than 19 % of the respective U.S. index[1].

For this reason, implementation of any integration strategies between the U.S. and less developed Latin America countries must be accompanied by the implementation of mechanisms for eliminating these distortions aiming to ensure 'fair' sharing of benefits from the trade and investment liberalization. In other words, economic integration in the Pan-American region should run based not exceptionally on the principle of free trade, but also on transition to the principle of fair trade implying leveling out the so-called playing field for the economic entities of partner countries within the bloc and creating sustainable development opportunities for the less developed countries of the continent.

However, it should be noted that despite their comprehensiveness and efficiency, the regional integration strategies fail to substitute for the national development strategies of integrating countries to the full extent and can only improve quantitative and qualitative indicators of development through increasing trade and investment potential of partner countries within the bloc.

As shown by the data presented in Table 1, current institutional mechanisms for regional integration most appropriate to the United States national interests concerning implementation of global goals comprise the following: the Dispute Settlement Mechanism (in terms of trade and investment disputes between integrating countries); the Labor Affairs Council and the Environmental Affairs Council; as well as the Pan-American Development Bank operating within the Committee on Trade Capacity Building.

Operation of the mentioned institutions essentially reflects the U.S. economic priorities in terms of the Pan-American region, which comprise the following: expansion of export markets for products and services, creating jobs in export-oriented industries and sectors of economy; involvement of the Latin America countries in production networks of U.S. transnational corporations, etc. Moreover, with exception of the author's proposal as to establishing the Pan-American Development Bank, all the rest of institutional mechanisms already prove to be fundamental elements of the acting

[1] Human Development Report 2011. The United Nations. [Electronic resource]. Available from: http://hdr.undp.org/en/reports/global/hdr2011/download/

'new generation' integration agreements between the U.S. and Colombia, Peru, Panama, South Korea, which came into effect during the 2000–2010s[1].

Table 1 ***Basic institutional mechanisms for ensuring efficiency of the United States integration strategies in Pan-American region***

Institutions		Economic effects on the USA	Economic effects on the U.S. partner countries under integration strategies
Dispute settlement mechanism (in terms of trade and investment disputes between integrating countries)	– in the field of investment	Promotion of continental production networks development, stable investment in the Pan-American assets	Job creation, national economy modernization, replenishing state budget through the foreign capital influx
	– in the field of trade in services	Growing share of the services market in the continent countries due to higher competitiveness of U.S. companies	Access of domestic consumers to high quality services
	– in the field of intellectual property rights protection	Implementation of competitive advantages in the export of technologies and high-tech products	Engaging continental economic entities in observance of international rules of intellectual property trade
Labor Affairs Council		Leveling out economic 'playing field' in the region and keeping American capital in the U.S. through prevention of exploitation, discrimination in terms of wages and working conditions in the less developed countries of the continent	Reforming national mechanisms for labor rights protection, strengthening negotiation points of trade unions, promotion of long-term labor market development
Environmental Affairs Council)		Eliminating incentives for outsourcing American capital, lowering price competitiveness of non-U.S. transnational corporations operating in countries with low environmental standards	Promoting sustainable economic development
Establishing the Pan-American Development Bank (within Committee on Trade Capacity Building)		Development of exports transport infrastructure, training of skilled personnel for work in production networks, growth of American produce middle class consumers	Converging socio-economic development levels with the USA

As regards the Dispute Settlement Mechanism (in terms of trade and investment) under the U.S. integration strategies, its purpose implies enforcing compliance of economic entities (including the

[1] Regional Trade Agreements . Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/trade-agreements/free-trade-agreements

states as such) with all obligations accepted under the integration strategies, promoting fair competition and distribution of benefits from regional integration. In case of the United States integration with less developed countries in the Pan-American region characterized by underdeveloped mechanisms of regulating relations in terms of ownership of inventions and patents, high levels of corruption and greater government intervention in market processes, the main areas in which operation of this mechanism proves most appropriate comprise foreign investment, trade in services and intellectual property rights.

Given that currently the main leaders of the U.S. trade and investment expansion into global markets imply the U.S. transnational corporations that use both vertical and horizontal integration mechanisms to involve companies of less developed countries in the continental production networks, regional integration strategies of the USA in the Pan-American region incorporate the mechanisms of foreign investment and intellectual property protection, as well as explicit procedures for international trade and investment disputes settlement. On the one hand, the U.S. transnational corporations gain opportunities for diversification and development of continental production networks, and on the other hand, the influx of foreign capital to the less developed countries of the continent contributes to job creation, technological modernization of their national economies and replenishing the state budgets as a result of foreign investors' economic activity within their territories.

Moreover, as shown by the experience of integration interaction between the U.S. and Mexico, implementation of NAFTA provisions on foreign investment protection and settlement mechanisms for trade and investment disputes contributed to the influx of gigantic proportions of foreign direct capital in Mexico economy from third countries. Thus, during the period from 1992 to 2011, the increase in accumulated foreign direct investment in Mexico made 747% (USD 266.6 billion)[1].

As in the field of investment the U.S. also proves to be a leader in terms of trade in services not only on the regional but on a global scale as well. According to statistics, by 2011 results the United States ranked first in the world in terms of trade in services volumes with a share of 13.9 % (USD 581 billion) and 10.0 % (USD 395 billion) of global exports and imports accordingly. At that, unlike for trade in goods, the U.S. has a positive trade balance concerning trade in services, with the said balance making USD 186 billion in 2011 and the services import coverage ratio of 1.5[2].

---

[1] Mexico. Inward and outward foreign direct investment stock, annual, 1980—2011 (UNCTAD Stat), [Electronic resource]. Available from: http://unctadstat.unctad.org/TableViewer/tableView.aspx

[2] Table I.9. Leading exporters and importers in world trade in commercial services, 2011, *International Trade Statistics* (Geneva: WTO, 2012), p. 28

U.S. leadership in the global services market is largely ensured by the U.S. exports high dynamics (growth rate in 2011 was 9 % compared to 2010) and considerable advance of this country ahead of major competitors in terms of the country share in global exports volume. In particular, the United Kingdom holding second place in the world in terms of services export currently accounts for only 6.6 % of the global figure, which is more than half lower than the respective U.S. index. Thus, implementation of the U.S. integration strategies aimed at liberalization of trade in services should be transformed focusing on increasing export of the U.S. services to partner countries within the bloc, which would produce a positive effect on the country's current operations count.

As regards the Labor Affairs Council and the Environmental Affairs Council, the key functions of these institutions in terms of U.S. global goals implementation imply ensuring 'leveling out' conditions for conducting business activity by the U.S. transnational corporations in the Latin America markets. Thus, as shown by experience of the U.S. negotiations with Colombia on free trade area creation indicates that this Latin America country was entrusted not only with full implementation of a number of international agreements in the field of environment and labor rights, but also with introducing new legislation aimed at achieving total compliance of the country with international standards on labor rights protection[1]. According to the U.S. government, implementation of strict provisions of the free trade agreements will reduce incentives for the U.S. big companies to migrate South in search of lower labor and environmental protection standards[2].

In our opinion, aimed at infrastructural development of Latin America countries and convergence of social and economic development levels with that of the United States, it is expedient to establish the Pan-American Development Bank (PDB). The functional purpose of the institution should be funding of infrastructure projects and providing micro loans. The main investors in implementing such projects would be transnational corporations interested in conducting business activity in a particular region of a less developed country as well as transnational corporations already engaged in economic activity there, but in need of infrastructure improvement in order to increase business efficiency. The debtors should include: states and their municipal governments which should attract capital for construction or upgrading of infrastructure facilities; small businesses and households in the least developed areas – for starting a business or investing in further business activity development.

---

[1] Labor in the U.S., Colombia Trade Promotion Agreement. Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/uscolombiatpa/labor

[2] U.S.-Colombia Trade Agreement Now In Force. Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/uscolombiatpa

The PDB operations as such can be divided into investment operations and credit operations. At that, the mechanism of investment operations should imply issue of long-term municipal bonds by the state or regional authorities with the purpose of raising funds for infrastructure projects implementation. The mechanism of credit operations should imply lending to small and medium-sized businesses as well as to households that have no access to credit funds.

The fundamental difference between the Pan-American Development Bank and the currently operating Inter-American Development Bank[1] is that in terms of the PDB the intermediary role of the government in redistribution of credit funds will be to a certain extent weakened, so that the financial and credit relations will be established directly between investors (creditors) and debtors. The importance of this PDB function is ensured by the fact that the Latin America countries have been traditionally characterized by high level of corruption in governmental authorities. In particular, according to the Corruption Perceptions Index, calculated by Transparency International non-governmental organization, in 2012 such Latin America countries as Argentina, Brazil, Venezuela and Mexico were ranked among 176 countries 102nd, 69th, 165th and 105th respectively[2]. The situation is regarded somewhat better in Chile and Uruguay, which according to this index ranked 20th in the world.

Another difference between the PDB and the Inter-American Development Bank is that in terms of PDB the equity investors (creditors) will be transnational businesses able to participate in the infrastructure projects implementation in less developed countries. In addition, the Pan-American Development Bank will be engaged in the implementation of micro-funding projects aimed at combating poverty and unequal income distribution in the least developed areas of the continent. Today the latter function's value of the institution can hardly be overestimated in view of the fact that in 2008, according to the World Bank data, 12.4 % of the Latin America and the Caribbean countries population lived on less than USD 2 a day[3]. At the same time, according to calculations by the Bureau for Latin America and the Caribbean, United States Agency for International Development, the gap in incomes of the richest 20 % and 20 % of the poorest social groups in the Caribbean countries currently made 14.1 times; in Central America — 17.2 times; in South America — 15 times[4].

---

[1] Report in the Ninth General Increase in the Resources of the Inter-American Development Bank. [Electronic resource]. Available from: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35291148

[2] Corruption Perceptions Index 2012. Transparency International, official site. [Electronic resource]. Available from: http://www.transparency.org/cpi2012/results

[3] Poverty data. The World Bank, official site. [Electronic resource]. Available from: http://data.worldbank.org/topic/poverty

[4] *Poverty, Latin America and the Caribbean: Selected Economic and Social Data* (USAID, 201), p. 18.

Summarizing the above, it can be argued that implementation of the above-mentioned institutional mechanisms in the U.S. regional integration strategies will not only improve the overall efficiency of regional integration in the Pan-American region based on the liberalization of goods, services and investment movement, intra-regional trade scale-up and reducing dependence on imports from Asian states and the EU, but will also contribute to the U.S. achieving its global goals. Thus, as per today amending certain integration projects (such as those of the U.S. and Colombia, Panama, Peru) by including more stringent labor and environmental standards results in expanding application of the so-called 'fair trade' concept across the continent, with the concept stipulating balancing of the 'free trade' benefits and the threats of entailing negative socio-economic effects[1].

Therefore, by implementing integration models of this kind, the United States will be able, on the one hand, to strengthen influence on reforming economies in developing countries, and on the other hand — to provide the U.S. transnational corporations with sustainable competitive advantages in the Latin America markets.

Conclusions

Recapitulation of the existing instruments of the U.S. implementing global goals in the 21st century through the prism of the U.S. regional integration strategies for the Pan-American region leads to drawing the following conclusions.

1. U.S. contemporary global goals imply maintaining global economic leadership based on strengthening influence on the patterns of economic development in less developed countries; maintaining the leading position in the world markets of services, technologies and capital; increasing the global merchandise exports share of the country. The basic mechanisms of achieving these goals are the U.S. dominant role in activities of the global economic management institutions, active foreign economic diplomacy and implementation of integration strategies in the Latin America region. At that, the latter mechanism proves the most efficient as regards harmonization of the U.S. national economic interests and the interests of the U.S. transnational businesses.

2. Despite the current U.S. trade policy being focused mainly on the Asia-Pacific Region states, the largest number of integration projects being implemented by the United States involves Latin America countries. At that, certain of the projects (with Colombia,

---

[1] Drezner D.W., *U.S. trade strategy: free versus fair,* U.S. Council on Foreign Relations (2006), p. V

Panama and Peru) are innovative by nature in terms of introducing novel areas of integration, such as e-commerce, as well as mechanisms for promoting market transformation and trade liberalization effectiveness in less developed countries (Trade Capacity Building).

3. The U.S. integration strategy in Pan-American region has over the past two hundred years evolved from the 'imperialistic' one of the 19th century to one based on principles of democratic values and free trade. NAFTA integration bloc has become historically the first embodiment of the 'superficial' integration strategy combining the integration priorities of countries asymmetric in terms of socio-economic development. In the 2000-2010s the U.S. integration strategy transformation in the Pan-American region is characterized by a change in the very principles of integration: if NAFTA was founded on the principles of free trade, the U.S. integration strategy with respect to Colombia, Peru and Panama keep increasingly incorporating elements of fair trade through introduction of stringent mechanisms for labor rights and environment protection, as well as by promoting market transformation and of trade liberalization efficiency improvement (Trade Capacity Building).

4. The basic institutional mechanisms of the United States economic expansion in Pan-American region comprise the following: the Dispute Settlement Mechanism (in terms of trade and investment disputes between partner countries), the Labor Affairs Council and the Environmental Affairs Council, as well as the Pan-American Development Bank. Exactly these institutions are capable of ensuring the most effective involving Latin American companies in the U.S. production networks of transnational corporations.

5. In terms of the global integration process intensification the U.S. influence on economic development patterns in less developed Latin America countries will be strengthening mainly through market reforming of economic policies in these countries by implementation of integration projects with the U.S. – the competition policy, government procurement policy, social and environmental policy, labor relationship policy, etc.

References

1. 2010 Remarks by the President in State of the Union Address. [Electronic resource]. Available from: http://www.whitehouse.gov/the-press-office/remarks-president-state-union-address

2. *Barshefsky C., Hill J.T., O'Neill S.K.*, «U.S. — Latin America Relations: A New Direction for a New Reality,» Council on Foreign Relations, Report of an Independent Task Force No. 60 (New York: 2008): p. 7, 10.

3. *Bayne N.*, *Woolcock S.*, The new economic diplomacy: decision-making and negotiation in international economic relations (UK: Ashgate Publishing Limited) 151—168 p.

4. *Besedes T.,* «The role of NAFTA and returns to scale in export duration,» Social Science Research Network, *Working Paper Series* (January 2012). [Electronic resource]. Available from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id =1856313

5. *Binford L.,* Tomorrow we're all going to the harvest: temporary foreign worker programs and neoliberal political economy (University of Texas Press, 2013), 281 p.

6. *Castro-Rea Julian*, Our North America: social and political issues beyond NAFTA (Ashgate Publishing Limited, 2012), 327 p.

7. *Chuzhykov V.I.*, Global Regional Studies: history and contemporary methodology: Monograph (K.: KNEU, 2008), 272 p. [in Ukrainian].

8. Corruption Perceptions Index 2012. Transparency International, official site. [Electronic resource]. Available from: http://www.transparency.org/cpi2012/results

9. Doha WTO Ministerial 2001: Ministerial Declaration. [Electronic resource]. Available from: http://www.wto.org/english/thewto_e/minist_e/ min01_e/mindecl_ e.htm

10. *Drezner D. W.*, U.S. trade strategy: free versus fair, U.S. Council on Foreign Relations (2006), p. V

11. *Gladkov I. S.,* «MERCOSUR: success and difficulties of economic integration process,» I.S. Gladkov, N.N. Nuñes-Sarantseva, International economics No.7 (2012): 14—40 p. [in Russian].

12. *Hladiy I. Y., Zvarych I. Y.*, International production networks in Europe, Monograph (Ternopil: Ekonomichna dumka, 2011), 292 p. [in Ukrainian].

13. *Hufbauer G*., NAFTA revisited: achievements and challenges, Hufbauer G., Schott J. (Kirby Lithographic Company, Inc., 2005), 492 p.

14. Human Development Report 2011. The United Nations. [Electronic resource]. Available from: http://hdr.undp.org/en/reports/global/hdr2011/download/

15. Inward and outward foreign direct investment stock, annual, 1980-2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ ReportFolders/ reportFolders.aspx

16. *Komkova Y. G*., «New stage in USA-Canada integration,» USA-Canada: Economics — politics — culture No. 5 (2008): 15—30 p. [in Russian].

17. Labor in the U.S.-Colombia Trade Promotion Agreement. Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/ uscolombiatpa/ labor

18. *Lukianenko D. H*. Global economic integration: Monograph (K.: Natsionalny Pidruchnyk LLC, 2008), 220 p. [in Ukrainian].

19. *McKinney J.,* Economic integration in the Americas, McKinney J., Gardner H. S. (Routledge, 2008), 253 p.

20. Mexico. Inward and outward foreign direct investment stock, annual, 1980-2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/TableViewer/ tableView.aspx

21. Nominal and real GDP, total and per capita, annual, 1970—2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ ReportFolders/reportFolders.aspx

22. *Pastor R*., T*he* North American idea: a vision of a continental future (Oxford University Press, 2011), 228 p.

23. *Pastor R.,* Toward a North American Community: lessons from the old world for the new (Institute for International Economics, 2001), 207 p.

24. Poverty, Latin America and the Caribbean: Selected Economic and Social Data (USAID, 2011), p. 18

25. Poverty data. The World Bank, official site. [Electronic resource]. Available from: http://data.worldbank.org/topic/poverty

26. *Rebmann L.*, «ALCA — free trade area in America,» Global economy and international relations No.1. (2007), 77 — 83 p.

27. Reciprocity 1860—1922. Encyclopedia of the New American nation. [Electronic resource]. Available at: http://www.americanforeignrelations.com/O-W/Reciprocity-1860-1922.html#b

28. Regional Trade Agreements. Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/trade-agreements/free-trade-agreements

29. Report in the Ninth General Increase in the Resources of the Inter-American Development Bank. [Electronic resource]. Available from: http://idbdocs.iadb.org/wsdocs/getdocument. aspx?docnum=35291148

30. *Salvatore D.*, «Measuring the economic effects of NAFTA on Mexico,» CESifo Forum 2010 (2010): p. 31—37.

31. STAN Bilateral Trade Database by Industry and End-use category, Industry and Service Statistics (MEI), (OECD). [Electronic resource]. Available from: http://stats.oecd.org

32. *Steger M. B., Roy R. K.,* Neoliberalism: A Very Short Introduction (Oxford University Press, 2010), 150 P.

33. *Stuart T.,* Japan wants to join TPP; North American trade activists look ahead to possible Canadian round. [Electronic resource]. Available from: http://rabble.ca/blogs/bloggers/ council-canadians/2013/03/japan-wants-join-tpp-north-american-trade-activists-look-ah

34. *Sweet W. W.*, «A History of Latin America,» The Abingdon Press (New York: Cincinnati, 1919), P. 261.

35. Table I.9. Leading exporters and importers in world trade in commercial services, 2011, International Trade Statistics (Geneva: WTO, 2012), p. 28.

36. The Enterprise for the Americas Initiative: Description and Up-date, The Development Group for Alternative Policies, Inc (Washington DC: October 1992).

37. Trade Capacity Building . Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/trade-topics/trade-development/trade-capacity-building

38. Transcript of Monroe Doctrine. Our Documents Initiative. [Electronic resource]. Available from: http://www.ourdocuments.gov/ doc.php?flash=true&doc=23&page=transcript

39. U.S.-Colombia Trade Agreement Now In Force. Office of the United States Trade Representative. [Electronic resource]. Available from: http://www.ustr.gov/uscolombiatpa

40. Values and shares of merchandise exports and imports, annual, 1948-2011 (UNCTAD Stat). [Electronic resource]. Available from: http://unctadstat.unctad.org/ReportFolders/ reportFolders.aspx

41. *Williamson J.,* «A Short History of the Washington Consensus,» Paper commissioned by Fundacion CIDOB for a conference «From the Washington Consensus towards a new Global Governance» (Barcelona: September 24—25, 2004). [Electronic resource]. Available from: http://www.iie.com/publications/papers/williamson0904-2.pdf

42. *Yevdokimov A. I.*, «Integration processes in Latin America countries: problems and prospects,» A.I. Yevdokimov, L.V. Gruk, Problems of contemporary economy No.2. (2011): 92—97 p. [in Russian]

The article was received by the editorial board on 12.02.2013