Competitive Liberalization, Postneoliberalism, and Hegemony: The Case of the US-Peru Free Trade Agreement

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ABSTRACT

Postneoliberal regionalism in Latin America has failed to live up to the expectations of its proponents and analysts in the late 2000s and early 2010s. Several causes explain its disappointing result, but a relatively understudied cause may be found in the US policy of competitive liberalization. This policy not only aimed at securing US economic and trade interests but also served as a counterweight against emerging postneoliberalism and as a tool for reaffirming US hegemony. This article presents a case study of one example of competitive liberalization in action, the US-Peru FTA, in order to assess how the policy functioned and contributed to curbing the posthegemonic moment in Latin America. It observes a combination of coercion and the political influence of beneficiaries of free trade, and it considers how these dynamics worked to strengthen US influence, both in Peru and in the wider regional political economy.

Keywords: Peru, competitive liberalization, US hegemony, postneoliberalism, asymmetric trade negotiations.

At the beginning of the 2010s, a body of international relations research developed that observed substantial changes in US-Latin American relations and Western Hemisphere political economy, suggesting that US hegemony in the region was in severe decline and might be ending altogether. Authors analyzed "posthegemonic" or "postneoliberal" regional governance (Grugel and Riggirozzi 2009; Heidrich and Tussie 2009; MacDonald and Ruckert 2009; Tussie 2009a; Riggirozzi 2012), the "post–Washington Consensus" (Panizza 2009), and the "post–American Hemisphere" (Crandall 2011). Works tended to focus their analysis on change and identified important new developments, particularly the use of regionalism in Latin America as a kind of controlled "meso-globalization" (Tussie 2009b, 178).

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Their arguments were supported by the establishment of US-excluding regional organizations, such as the openly anti-US Alliance for the Peoples of Our America (ALBA), as well as the more moderate Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC). These organizations followed the arrival of the Pink Tide of leftist and left-of-center governments, which, to varying degrees, sought to replace or ameliorate the excesses of neoliberalism in the region with socialist policies.

Taking a neo-Gramscian approach to US hegemony, some scholars argued that such initiatives served the purpose of building a new, historic bloc that would enable the construction of an "alternative regional order" (Chodor 2015, 147) that was antineoliberal, although it remained to be seen what exact form this new bloc would take (Robinson 2008, 288). Still, the rejection of US hegemony and neoliberalism in Latin America was by no means unanimous. And yet, even though some of the mentioned works acknowledge that the region became the stage of a battle between the rejection and acceptance US hegemony, their focus is almost entirely on those states and initiatives that chose the former. Some seem certain that Latin America was witnessing a "deep structural rather than shallow conjunctural transformation" (MacDonald and Ruckert 2009, 246).

More than a decade later, neoliberalism and US hegemony, while weakened, are still very much alive in Latin America. This, in hindsight, seems to cast some doubt on earlier declarations of a postneoliberal moment. The region remains a battleground of ideas and ideologies on which Pink Tide leftists and right-wing neoliberals alternate electoral victories. The apparent new wave of left-wing election victories that is currently taking place, after many countries experienced a period of right-wing conservatism during the late 2010s, is testament to this. Meanwhile, the impact of regional organizations like the ALBA, UNASUR, and CELAC has been well below expectations.

This is not to say that the scholarly focus on the postneoliberal and US-excluding regionalism of the 2000s and early 2010s was misguided. To the contrary, it identified a significant development in US-Latin American relations and Latin American transnational governance. However, one might also conclude that the focus of analysis was somewhat one-sidedly aimed at attempted change, and that a renewed focus on continuity—caused by the adherents to US hegemony and neoliberalism during this same period—may prove relevant to our understanding of the contested political economy of the Western Hemisphere in the past 20 years. Moreover, a reexamination of these adherents may help explain why the Pink Tide and Latin American regionalism fell short in their attempts to end US hegemony in Latin America.

This article provides an analysis of one such adherent, Peru, and its quest to sign a free trade deal with the United States at precisely the point when US hegemony in the region had seemingly begun to decline. It explains Peru's embrace of US hegemony as a consequence of US strategic decisions that created a political economy dynamic that persuaded several Latin American states to follow Washington's lead in spite of the supposed Latin American swing to the left during the same period. While Peru did later join UNASUR and CELAC, the significance of that decision may have been minimal in terms of the region's contested political economy. For one thing, neither of these US-excluding regional organizations had a clear focus on trade; and while joining them, Peru (like others; e.g., Colombia) remained committed to neoliberal free trade with the United States. In other words, for a more complete understanding of the contested political economy of the Latin American region of the last two decades, analysis of postneoliberal initiatives should be accompanied by analysis of the concurrent dynamics that supported neoliberalism. This article presents such an analysis.

It does so by making two closely related points. First, the US policy of "competitive liberalization" was not merely an alternative to hemisphere-wide negotiations aimed at preserving favorable trade and business environments in those states willing to concede to US demands. It was also intended to be an effective tool against growing postneoliberalism in the region and was ultimately aimed at preserving US hegemony. Second, I argue that competitive liberalization worked not only by instrumentalizing US leverage over smaller states in bilateral trade negotiations, but also through the political influence that trade relations generate in the smaller state.

The first section provides a theoretical framework that connects works on the relationship between trade asymmetry, coercion, and political influence with hegemony theories that focus on consent. It is this linkage that informs the theoretical contribution proposed here—that competitive liberalization stimulated and utilized the political influence stemming from economic ties in the interest of US hegemony and as a means to counter the rise of postneoliberalism in Latin America. The second section then contextualizes US trade policy toward Latin America in the 2000s, particularly competitive liberalization, that sought to increase US leverage by reinstating Washington's asymmetrical advantage—an advantage that had been largely lost in multilateral negotiations for a Free Trade Area of the Americas (FTAA).

The third section traces the negotiation and ratification process of the US-Peru free trade agreement (FTA), officially named the US-Peru Trade Promotion Agreement (US-PTPA), between 2004 and 2009, to test to what extent the dynamics theorized in the first section were evident in this particular case. It continues by considering positive attitudes toward free trade under the Ollanta Humala administration, which took office in 2011, after the agreement was ratified and had come into force. The concluding section places the case within the wider context of the political economy struggle that took place in Latin America during the 2000s and 2010s, connecting competitive liberalization with the failure of postneoliberalism to fully materialize.

Hegemony, Coercion, and Consent

That states may be able to affect the policies of other states by making use of, or as a result of, asymmetrical trade relations was notably observed by Hirschman

(1980 [1945]), who argued that such effect could be exerted coercively (via explicit or implicit threats of interruptions to trade flows) or could function in a more consensual manner via the generation of vested interests that result from trade integration. Particularly this second effect was further developed by Abdelal and Kirshner, who argue that it is, in fact, the more profound of the two (1999, 120).

The effect of political influence concerns how international economic relations influence domestic politics, which, in turn, shape national interests, an effect that is especially pronounced in smaller economies. In Hirschman's words, domestic actors that have a vested interest in stable (trade) relations with the larger economy may come to embody a "commercial fifth column" that steers the domestic and foreign trade policies of the smaller state (1980 [1945], 29). Other scholars have observed Hirschmanesque political influence as a result of trade asymmetry between large and small economies (Skalnes 1998; Hancock 2006). Some have found that such asymmetrical trade dependence influences foreign policy decisionmaking in the smaller state (Roeder 1985; Kastner 2016). This paper uses analysis of political influence to expose the dynamics at play between a compliant Latin American state and the US hegemon.

First, however, the relationship between hegemony and coercion and consent in trade relations requires some elucidation. Here, hegemony is understood—much as it is in the postneoliberalism literature—as the dominance of a particular ideology and its accompanying policies; that is, neoliberalism as promoted by the United States. In this understanding, the relationship between hegemon and subordinate state rests not only on coercion but also on consent. IR scholarship has produced two distinct perspectives on the generation of consent under hegemony. For liberals, channels of reciprocal communication and influence between the hegemon and subordinate states reduce levels of coercion and stimulate consent (Ikenberry 2011, 71–73). Trade negotiations can be seen in this light as entered into consensually by all parties. However, the coercive effect observed by Hirschman of the explicit or implicit interruption of trade flows is always present in the background and should therefore be acknowledged, even if states voluntarily negotiate. Such implicit threat was very much present in the US-PTPA negotiation, as well as in other bilateral negotiations that the United States engaged in in Latin America.

Besides channels of reciprocal communication, liberals also observe a process of socialization that "can lead to the consolidation of the hegemon's position" when compliance with the hegemon's policies is secured through "normative persuasion" (i.e., without the use of material sanctions and inducements) or "external inducement" (i.e., with the use of sanctions and inducements) (Ikenberry and Kupchan 1990, 290). In both cases, eventually the subordinate state's elite embraces the hegemon's policies as rightful. Importantly, here, too, we observe a combination of coercion and consent. Through a process that has precisely been labeled coercive socialization, interaction between unequal partners gradually leads to the consensual adoption of ideas, norms, and practices by the weaker of the two (Hurrell 2005, 194).

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Neo-Gramscians give an alternative explanation for consent under hegemony. Seeing hegemony as class-based rather than state-based, they argue that a transnational elite shares material interests in the free flow of capital, goods, and services, and thereby forms a transnational historic bloc that produces "a fit between the dominant ideas, social institutions and the dominant mode of production" (Gill 1986, 323). In this understanding, under hegemony, "the dominant state creates an order based ideologically on a broad measure of consent" that ensures the "supremacy of the leading state or states and leading social classes" (Cox 1987, 7).

The main difference between both views is that liberals believe that hegemony serves the interest of most states in the system, while neo-Gramscians argue that hegemony serves primarily the interests of elites. That debate is not engaged here. Instead, this study investigates the relationship between asymmetrical trade dependence and its coercive and consensual (political influence) effects on the one hand, and the strength of US hegemony in Latin America on the other.

The relevance of this question becomes evident when observing the omission of this relationship in works that discuss the postneoliberal era of Latin American political economy. While these works understand Latin American relations precisely in those "post" terms and thus frame it as counterhegemonic, they pay little attention to the counter-counterhegemonic reaction from the hegemon. That reaction, this study argues, was competitive liberalization. While some observers have pointed to the strategic objectives that the United States hoped to achieve through competitive liberalization, such as circumventing complex multilateralism (Quiliconi and Wise 2009, 105), the strengthening of Latin American democracy and the promotion of economic growth (Schott 2006, 99), and making sure that US businesses maintained the upper hand in FTA partners' markets in relation to regional competitors such as Brazil and Venezuela (Tussie 2009b, 179), the connection with larger hegemonic objectives—the attempted reenforcement of US-style neoliberal trade regimes in a climate of increasing postneoliberal agitation against these policies—is largely underexposed.

Furthermore, existing works provide hardly any analysis of how competitive liberalization functioned, other than through the assumed coercive effects of asymmetric trade relations. The policy arguably was effective by relying particularly on the underappreciated aspect of Hirschmanesque political influence stemming from such asymmetry.

Asymmetry, Influence, and Competitive Liberalization

Only a few years before claims of postneoliberalism or posthegemony in the Americas began being made, scholars had very different views about the future of the Western Hemisphere political economy. The "emerging mode of and approach to governance in the Americas" had become "dominated by a distinctly U.S.-driven agenda, reflective fundamentally of U.S. priorities and a strengthening of U.S. hegemony as the

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foundation of the new regional political economy" (Phillips 2005, 20). New economic pathways emerged for Latin American developing states, but they tended to converge around integration into the international economy, forcing states to make trade-offs between much-needed market access and desired domestic industrial development (Shadlen 2005, 752).

What may explain the divergence between these and the later postneoliberal perspectives? The former resulted from a shift in US policy away from hemispheric toward regional and bilateral trade negotiations, a consequence of serious opposition to US demands in the FTAA. Those scholars saw the abandonment of multilateralism as a prelude to increased US dominance. Meanwhile, the postneoliberal narrative saw the opposite development; namely, a decline of US influence. After all, the FTAA had been a project that sought to align the entire Western Hemisphere with Washington and turn the continent into a bastion of US hegemony. This failed and was replaced by US-excluding alternatives that were, of course, in large part enabled by the China-fueled commodity boom that really took off in the mid-2000s. Now, nearly two decades later, it is enlightening to look back at the developments of that time—especially the US strategic decision to abandon the FTAA and the response of those Latin American states that did not fully join the postneoliberal moment but remained loyal to US neoliberalism. This US decision was competitive liberalization, and to understand its meaning to the hemispheric political economy, we need to turn to the failure of the FTAA.

Washington's preferred structure for establishing the FTAA was, from the start, NAFTA. As then—US Assistant Secretary of State for Inter-American Affairs Alexander Watson recalled, once preparations for the FTAA talks commenced, Washington decided to promote a structure of NAFTA accession that would place the United States at the center of a hub-and-spoke system, giving it extensive control over the talks and forcing Latin American states to adapt to an already existing US-approved agreement (Watson 2017). This structure was what made the FTAA attractive to Washington and to several Latin American states, most notably Chile, which had been mentioned as a potential candidate to join NAFTA (*Wall Street Journal* 1994). However, NAFTA accession also led to Latin American reservations, particularly in Brazil, which had long felt uneasy about the preferential US treatment of (would-be) NAFTA signatory states like Mexico and Chile (Hakim 1992, 102). Furthermore, Brazil feared that the US-centered hub-and-spoke system would be detrimental to subregional trading blocs, such as the Common Market of the South (MERCOSUR) (Smith 2010, 189). Still, at the start of the FTAA talks, Washington appeared in control of the project and was set on solidifying its economic grip on the American continent.

But the FTAA failed. Several factors led to the agreement's demise, but one was the Bill Clinton administration's continuous failure to obtain fast track authority for negotiating trade agreements. Absence of fast track meant that any deal agreed by the United States Trade Representative (USTR) could later be scrutinized by the US Congress. Latin American disillusionment over the lack of fast track allowed Brazil to maneuver itself into a leadership position and successfully oppose the NAFTA accession format. That was soon replaced by the principle of the "single undertaking," a commitment that held that nothing would be agreed until everything was agreed. In fact, by 1998, Brazil had succeeded in persuading the United States to accept its own preferred format (Albuquerque 2003, 51). Besides the single undertaking, this allowed for the collective negotiation by regional blocs such as MERCOSUR, something Washington had earlier strongly opposed. As one analyst comparing the state of affairs in 1994 and 1998 observed, the United States had "lost its leadership position of the FTAA process and ha[d] become a mere bystander in a hemispheric process of trade liberalization in which Brazil [was] now setting the pace and direction of negotiations" (Sweeney 1998).

This meant that the FTAA was gradually morphing into something much less desirable than what the United States had initially envisioned. A further complicating factor was the aforementioned Pink Tide, the rise of left-wing governments in several Latin American states in the late 1990s and early 2000s, which opposed the Washington Consensus, in turn diminishing Latin American enthusiasm for neoliberalism and the FTAA. Although scholars noted the postneoliberal moment several years later when the establishment of regional organizations like ALBA, UNASUR, and CELAC underscored its maturation, postneoliberal forces were already gaining power and momentum when the Pink Tide first swept Latin America. When the George W. Bush administration replaced the Clinton administration, it therefore found itself engaged in a multilateral negotiation process in which it no longer held the reins and which enjoyed the support of a shrinking—although still considerable—group of Latin American states. The response of USTR Robert Zoellick was to turn to subregional and bilateral options instead, a policy that he termed competitive liberalization (Zoellick 2003).

Armed, unlike his predecessors, with fast track authority (now renamed trade promotion authority, TPA), Zoellick sought to negotiate on several fronts: multilateral (WTO, FTAA), regional (the Dominican Republic and Central American Free Trade Agreement, DR-CAFTA), and bilateral. What made these negotiations competitive was that each concluded agreement set a new standard for subsequent talks that Washington engaged in, forcing its partners to negotiate on US terms (Phillips 2008, 151). In the words of Zoellick's assistant USTR, the United States "would use [its] leverage as the largest market in the world to try to liberalize with those who were willing" (Padilla 2017), effectively leaving behind those that were not. Once enough Latin American states signed their individual deals with Washington, Zoellick hoped that little by little, the United States would be able to "connect the deals and perhaps expand to Brazil and others" (Zoellick, email correspondence, October 12, 2017), if and when such states were ready.

In effect, this signified a return to the original US-centered hub-and-spoke system, allowing Washington to retake the lead, albeit without the followership of several "unwilling" Western Hemisphere states. These unwilling states, however, ran the serious risk of becoming increasingly marginalized in a political economy dominated by the United States (Shadlen 2008, 2). Seen in this light, instead of as a blow to US hegemony or an acknowledgement of defeat, the Bush administration's abandonment of the FTAA may have been a counterstrike, a forceful attempt by Washington to regain the lead in deciding the future of the hemisphere's political economy.

While since the early 1990s much initiative for free trade talks had actually come from Latin American governments, an important effect of competitive liberalization was that now Washington expected Latin American states to take the first step and request negotiations. The United States explicitly laid the initiative with these states, convinced as it was that most would fear being left behind while their neighbors gained preferential market access and welcomed increasing flows of foreign direct investment. Competing against each other, these states would be incentivized to liberalize their economies more aggressively than their competitors had done. This allowed the United States to set the "new trade agenda" for the hemisphere, right at the very moment when its multilateral trade agenda was being undermined in the FTAA (Tussie 2009b, 179–80). Furthermore, a state's request for trade talks meant that US engagement was always reactive. This increased US leverage because at any stage during the talks, Washington could argue that it was not truly interested in reaching an agreement and threaten to terminate the negotiations (Evenett and Meier 2008, 40; Shadlen 2006, 218).

Were the objectives of competitive liberalization mainly related to cross-border trade, or did it serve larger hegemonic ends like the FTAA had intended? Some scholars have argued that the primary interest of developed states in free trade agreements is commercial; namely, to "secure stable business environments that facilitate cross-border expansion of their firms' activities" (Sánchez-Ancochea and Shadlen 2008, 2). US pure trade interests in Latin America (excluding Mexico) were modest, while so-called trade-related disciplines (trade in services, investment, intellectual property, government procurement, competition policy, and environmental and labor standards) raised real US interest in negotiating trade deals (Phillips 2005, 5–6). Others point out that competitive liberalization also sought to foster foreign support for US foreign policy and military objectives, as well as broader US ideological values (Evenett and Meier 2008, 31).

But we may also understand the policy as a reaction to and contestation of the growing postneoliberalism that so many scholars examined a few years later. When the FTAA slowly fizzled out and US-excluding initiatives toward regional integration began to enter the scene, competitive liberalization became a key tool for strategic opposition to these initiatives. For example, it aimed to prevent the consolidation of a South American bloc made up of MERCOSUR and the Andean Community of Nations (CAN) and to compete with the ALBA initiative (Tussie 2008, 245). US negotiations of bilateral free trade agreements with several Andean states may have played an important role in keeping such a bloc from materializing (Phillips 2008, 162). In other words, when the Latin American postneoliberal era was announced, a battle for the future shape of the region's political economy actually was still being fought. It was a battle in which the US weapon of choice was the negotiation of subregional and bilateral trade agreements, which served to pull Latin American states into the US sphere of influence, luring them away from Washington's challengers by offering these states market access that was highly attractive to their economies.

These opposing movements toward hemispheric trade integration may explain the divergence in analyses observed above. Competitive liberalization has been quite effective. The United States closed deals with Chile, Central American states and the Dominican Republic, Peru, Colombia, and Panama, while Latin American posthegemonic initiatives toward integration were announced but have since failed to come to fruition. Moreover, recently it has been argued that instead of developments toward a posthegemonic hemisphere, subregional and bilateral agreements allowed the United States, under the Barack Obama administration, to pull several Latin American states into the Trans-Pacific Partnership (TPP). Considering that this essentially worked to establish a comprehensive trade deal centered on the Pacific Ocean, it could reasonably be interpreted as an alternative to the failed FTAA (Biegon 2017, 94). Connecting deals in Latin America and expanding to other "unwilling" states, as Zoellick had intended, never became an option, but connection with and expansion toward the Asia-Pacific region did.

These observations suggest that in order to properly understand the contested Latin American political economy of the last 20 years, the existing analyses of Latin America's postneoliberal moment and the role of China need to be supplemented by an engagement with the policy of competitive liberalization that goes beyond explanations of the coercive power in bilateral or subregional trade negotiations that stems from trade asymmetry. Analysis of this coercive power must go hand in hand with analysis of the political influence that results from international economic linkages, their effects on domestic politics, and the perception of national interests. This may provide answers about the motivations that led several states to renounce postneoliberalism, the political dynamics at play in negotiations between the US and these smaller states, and ultimately, new insights into the apparent failure of postneoliberalism to fully materialize.

Such an analysis can in part rely on insights from Abdelal and Kirshner (1999, 120). In short, their argument is that international economic relations affect domestic politics, which, in turn, shape national interests, a dynamic that is particularly present in asymmetrical relations, where effects are most evident in the smaller state. The smaller state will have a tendency to seek ever closer relations with the larger state because those actors in the smaller state who benefit from closer relations gain not only economic power but also political power, which would logically translate into state policy that is compliant to the larger state. For example, exporters of products that gain unobstructed or preferential access to the large state's market will have a stake in further convergence toward the larger state and will use their obtained power to steer domestic politics and influence economic policy.

Generally, the so-called winners of regional and bilateral trade agreements are well informed, organized, and politically influential, while the so-called losers are diffuse and disorganized (Sánchez-Ancochea and Shadlen 2008, 15). When the influential power that results from trade asymmetry between a large and a small state appears, coercive power is less profoundly felt or even required. In fact, the push for deeper integration may be initiated by the smaller state.

The parallels with competitive liberalization are evident. The United States used its economic leverage and the attraction of its market to incentivize smaller Latin American states to pursue trade negotiations in which Washington had a significant strategic advantage—much more significant than at any point in the FTAA negotiations. Competitive liberalization practically instrumentalized the agency of "willing" Latin American states in the interest of US hegemony by encouraging these states to freely choose to cooperate with the United States in the political-economic battle of the hemisphere. It was the interplay between implicit coercion (no trade deal meant relative losses against regional neighbors) and influence (national actors benefited from and therefore actively sought a trade deal) that made competitive liberalization successful.

Competitive liberalization thus presents the other, less-examined side of the developments of the last 20 years in Latin American political economy. Close analysis of its practices and effects can illuminate why certain states did not fully join postneoliberalism and, by extension, help explain the struggles of postneoliberalism to come to full fruition.

The US-PTPA

When the FTAA floundered in 2003 and USTR Zoellick switched to competitive liberalization, Peru was keen to jump aboard the US free trade ship. It did so by requesting to join talks that were already being planned between Washington and Colombia. Peruvian policymakers' interest was grounded in the belief that a deal would be greatly beneficial to their country because of Peru's preexisting economic dependence on the United States. This dependence was a consequence of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and its predecessor, the Andean Trade Preferences Act (ATPA), the benefits of which Peru had enjoyed since 1993. Both laws coupled trade preferences with counternarcotics policy, including by dropping tariffs on agricultural products from Bolivia, Colombia, Ecuador, and Peru to encourage licit crop cultivation.

Whereas in 1994, when the FTAA project was launched, the United States accounted for nearly 17 percent of Peruvian exports, by 2004, when the FTAA had been all but abandoned, this share had grown to over 29 percent (World Bank n.d.). Between 1996 and 2003, the total value of exports to the United States had increased from US$1.2 billion to US$2.4 billion (Fairlie 2005, 12). While the ATPDEA undoubtedly aided Peruvian economic growth, it also made the country very dependent on Washington through a certification mechanism that allowed the United States to take stock of Peru's cooperation in the area of counternarcotics and to unilaterally suspend the trade preferences when it deemed Peru's efforts to be insufficient.

Suspension would have profound implications for Peru's exports. To illustrate, the country's Ministry of External Trade and Tourism (MINCETUR) calculated that loss of the preferences would result in a US$700 million drop in textile exports and US$300 million drop in agricultural exports (MINCETUR 2005). Furthermore, Peruvian employment would be positively affected by an FTA with the United States, while ATPDEA expiration would have a negative effect (Von Braun 2012, 92)

Aside from the negative prospects of an end to the ATPDEA, the positive effects of open trade with the United States were evident. The trade preferences had brought considerable prosperity and development to Peru's coastal areas, increasing support for free trade talks in Peru (De La Pedraja 2016, 153). Furthermore, the Peruvians expected a deal with Washington to boost foreign direct investment (FDI). The country's FTA coordinator, Eduardo Ferreyros (2010, 6), and chief negotiator, Pablo De La Flor (2018), recalled concrete examples of investors deciding against investment in Peru over uncertainty of ATPDEA renewal. A permanent deal that replaced the temporal and unilateral US certification check on trade preferences would take away such concerns. This expectation later appeared accurate when Peru saw a large increase in FDI from the United States in 2009, the year the US-PTPA finally went into force (UNCTAD n.d.).

Regional and global competition also played a role in Peru's interest in an FTA. Latin American neighbors Mexico and Chile, as well as the Central American states, had concluded their own agreements with Washington, while Peru also hoped a deal would make it more competitive with South Asian states in textiles, manufacturing, and agriculture (Von Braun 2012, 88). This implies that Zoellick's competitive liberalization had its desired effect in Lima.

Peru thus had ample reason to pursue trade talks with the United States. According to De La Flor, who had also been vice minister of trade in the 1990s, Peru had seen the FTAA as a "golden opportunity" (2018). When that opportunity fell through nearly a decade later, Peru quickly sought an alternative. An FTA was deemed essential to Peru's integration into the global economy: to increase investment flows and to improve the efficiency of Peru's factors of production, and by extension, its overall economic efficiency and competitiveness (Cornejo 2006, 100).

A detailed look at the process that ultimately led to the signing of the FTA brings to light an interesting blend of US coercion, Peruvian consent, the political influence of Peru's business sector, and Peruvian agency. Throughout the negotiations, it was Lima that took the initiative, pushing tirelessly to ensure that negotiations were brought to a swift and positive conclusion. Shortly after being elected in 2001, President Alejandro Toledo took the first step during a visit to Washington, where he professed allegiance to free trade policy (De La Pedraja 2016, 68). By appointing Roberto Dañino and Pedro-Pablo Kuczynski—both of whom bore extensive experience in the corporate world and international financial institutions—as prime minister and minister of the economy, respectively, the president gave an important signal to US policymakers.

Then, in 2003, Colombian president Álvaro Uribe approached US president Bush about a possible bilateral FTA negotiation. Soon Peru, as well as Ecuador, stated its desire to join the talks, an overture that could not, at that point, count on much Colombian or US enthusiasm (Rubio 2016, 44). As one member of the Peruvian negotiating team recalled, Lima really had to put its foot in the door and press the USTR to accept its participation (Hooker 2018), a striking contrast to the position of some of its postneoliberal neighbors. Eventually, on November 18, 2003, Zoellick informed the US Congress of the Bush administration's intent to commence trade talks for the Andean Free Trade Agreement (AFTA) with Colombia, Ecuador, and Peru.

To bolster domestic support for the talks, the Peruvian government applied a policy of relative transparency, often publicly stating its positions and offers to the United States in press releases and conferences. It also created the Entrepreneurial Council of International Negotiations (CENI) to represent stakeholders from all entrepreneurial sectors (Rubio 2016, 48). The CENI was kept in the loop throughout the talks, and Peruvian negotiators even consulted with its members during the negotiation rounds in a so-called side chamber. As one member and later minister of production recalled, all discussion was kept internal, with the body developing a common position from which to support the negotiation process (Lemor 2018).

Such unity had a positive effect on public opinion, which, polls showed, largely supported the FTA process (La República 2004). This close collaboration with the Peruvian business sector, and the apparent revolving door mechanism that allowed David Lemor to serve first on the advisory body and then become minister of production, is indicative of the political power that accrues from international economic relations. While the CENI represented all Peruvian business sectors, its position was overwhelmingly in favor of an agreement because of the potential benefits for exporters, and it worked with the Peruvian government to promote the deal in Peru and later in the United States. Popular support was also strengthened through informative meetings held by representatives of MINCETUR throughout the country. FTA coordinator Ferreyros would later proudly recall that 735 such meetings had been held all over Peru (Ferreyros 2010, 7). In all communications, the main government line was that "globalization inevitably is going to arrive in Peru, so we can either prepare for it and reap its benefits, or we do not prepare, and globalization will go over our heads" (Hooker 2018).

During the 13 AFTA negotiation rounds that took place between May 2004 and November 2005, the issues that proved most difficult were intellectual property, for which US demands went beyond what had been agreed in the US-Chile FTA and DR-CAFTA; and agriculture, for which the United States demanded that the Andean states replace price bands on sensitive products with safeguards while refusing to lower its own domestic agricultural subsidies. Both these dynamics (demands exceeding earlier agreements and US refusal to concede in sensitive areas) were calculated advantages that Washington expected from competitive liberalization.

For Peru, it was relatively easy to concede on the agriculture issue because it hardly competed with the United States in this sector. As such, US subsidies were not a real concern for Peruvian negotiators (De La Flor 2018; Hooker 2018). Additionally, the impact in Peru of price band elimination and the lowering of tariffs on agricultural products would be quite low because the country had already significantly reduced its tariffs in the 1990s (Paz and Arias 2007, 14).

Intellectual property was a more sensitive issue for Peru, especially with respect to the need to keep cheap, generic medicines available to the Peruvian population. The United States demanded substantive changes in terms of protection of patents and test results, but the three Andean states declared that they were not prepared to concede more than allowing for patent extensions of five years, and three-year protection of test results from use for the production of generic medicines (Ortiz 2005a).

This led to an impasse at the tenth round, held in Guayaquil, Ecuador, in June 2005, that proved to be largely unproductive and showed clearly that the original objective of finishing the negotiations before the Bush administration's TPA expired would not be met. This prospect led the Peruvians to take the initiative. A high-profile Peruvian delegation, including the ministers of trade, finance, agriculture, and production, traveled to Washington and informed USTR Rob Portman (who had succeeded Zoellick) and Commerce Secretary Carlos Gutierrez that they were prepared to "go bilateral." A US embassy cable concerning the visit indicated that President Toledo was getting "nervous about the timing" and that the Peruvians hoped a bilateral agreement could be reached more expeditiously than the AFTA (US Embassy in Lima 2005a). Peru believed that it was in a position to concede more than its Andean neighbors.

From that moment on, Peruvian officials kept repeating their desire for a quick conclusion of the talks and their willingness to close an agreement without Colombia and Ecuador, as US diplomats reported back to Washington on several occasions (US Embassy in Lima 2005b, c, d, e). Around mid-November, in the run-up to the 13th round of negotiations, Peru went further, making concessions to US demands in the area of intellectual property that Colombia and Ecuador did not agree to. Then the 13th round broke down when Colombia and Ecuador ended the talks, citing US inflexibility in the areas of intellectual property and agriculture. Peru hoped to close the round with a bilateral deal with the United States instead, but Washington blocked Peru's attempt (Ortiz 2005b). Still, while Colombia and Ecuador proposed a new round in late December or early January, Peru insisted on an earlier date (Rubio 2016, 55), which led to a split in the Andean bloc. This opened the door to bilateral US-Peruvian talks, which took place on December 6 and 7. In these, Peru made a number of concessions (De La Flor 2018), which ultimately paved the way for closing an agreement.

Unsurprisingly, Peru had made more concessions than the United States. It agreed to significant tariff reductions and the elimination of price bands. Concessions around intellectual property, meanwhile, led to a bitter domestic tussle between proponents and opponents of the deal, with the former ultimately winning out (Von Braun 2012, 106). Peru's intellectual property negotiator, Luis

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Alonso García, was recruited not from a government ministry but from the agency responsible for intellectual property rights and competition, INDECOPI. During the negotiations, a serious conflict erupted between INDECOPI and MINCETUR, instigated in large part by INDECOPI's president, Santiago Roca, who was a fierce opponent of trade-related aspects of intellectual property rights that went beyond WTO regulations (so-called TRIPS+). Roca commissioned several studies exploring the probable effects of the intellectual property demands, all of which were highly critical. This, in turn, reframed the national debate on the issue.

The studies came out around March 2005, almost a full year into the negotiations. García, siding with MINCETUR, promptly resigned from his role as intellectual property negotiator in protest against Roca. Eventually INDECOPI was sidelined, with García reinstated as lead negotiator for intellectual property from within MINCETUR. The move meant the effective silencing of a strong critical voice against an important element of the trade agreement (García 2018).

Concessions aside, Peru certainly gained from the agreement. Washington granted immediate tariff-free access to the US market—not only to all products that already fell under the ATPDEA, but now to 90 percent of Peruvian agricultural export products, accounting for 99 percent of export value (De La Flor 2009, 14).

In April 2006, US and Peruvian officials signed the US-PTPA in Washington. Giving extra weight to the occasion, President Toledo accompanied Trade Minister Ferrero to the signing ceremony with USTR Portman. Now the deal needed to pass the US and Peruvian Congresses. With a presidential election campaign in Peru in full swing, disagreement arose over which congress should vote on the agreement, the incumbent one or the one that would be sworn in after the elections (Ortiz 2006). Eventually, it was the incumbent congress that voted overwhelmingly in favor of the deal (79 to 14), shortly after Alan García won the presidential election. Reportedly, the García campaign received significant financial contributions from the Peruvian banking and mining sector, both of which had serious stakes in the approval of the agreement (Avilés and Rey 2017, 168).

The US Congress proved to be a bigger hurdle, inspiring several Peruvian initiatives to speed up approval. The first occurred in the last days of the Toledo administration, when the president traveled to Washington with hopes of convincing congressional representatives to support putting the deal up for a vote before the August recess. The president's attempts failed to persuade Democrats, who had concerns about the environmental and labor aspects of the agreement and who realized that postponing a vote on the deal until after the approaching US midterm elections (which they expected to win) would increase their opportunity to object to or alter the deal (Rubio 2016, 71).

When García took office, he, too, sought close association with Washington while carefully steering away from close links with the rising Latin American populist left (McClintock and Vallas 2005, 199). During a meeting with US Secretary of State Condoleezza Rice in October 2006, the president even connected the FTA with Washington's larger geopolitical and hegemonic interests in Latin America, stating that US ratification would demonstrate to the region that Peru had chosen the right course, as opposed to the leftist opponents of free trade that had come to power in several other states (Rubio 2016, 141). During the previous month, García had appointed the Peruvian economist Hernando de Soto as special representative to Washington. De Soto's main task was to lobby members of Congress to pass the FTA, relying on his close relation with former US president Bill Clinton, a connection that García hoped would give De Soto easy access to congressional Democrats (Núñez 2006). To further lobby the US Congress, as well as business representatives, several other Peruvian officials made trips to the US capital, including chief negotiator Pablo De La Flor and Minister of Foreign Trade and Tourism Mercedes Aráoz (Medina 2006; Rubio 2016, 131).

In spite of all these efforts, when the Democrats won the November midterm elections by a landslide, it appeared that certain elements of the agreement would need to be renegotiated. Charles Rangel (Democrat-New York), who became chairman of the House Ways and Means Committee, took the lead, stressing Democrats' belief that labor rights had deliberately been neglected in the deal, against the wishes of the Peruvians, who had sought to include adherence to international labor standards. Rangel held that US negotiators had objected to such inclusion (La República 2006). García hoped to mollify the Democrats by pointing to his own record on labor rights and poverty reduction, but this had little effect (McClintock and Vallas 2010, 202).

García therefore realized that he would need to redouble his efforts to lobby the US Congress. One of the first moves he made in early 2007 was to relieve De Soto—whose achievements he judged to be lacking—from his post in Washington. Reportedly, the economist had done little with De La Flor's recommendations to speak not only to Democrats but also to Republicans and to go door to door on Capitol Hill to obtain the needed majority (Hooker 2018). As De Soto's replacement, García appointed former Minister of Production and former member of the CENI, David Lemor.

Although he represented the government, maintained an office in the Peruvian embassy, and coordinated closely with Peruvian Ambassador Felipe Ortiz de Zevallos, Lemor's work in the US capital was financially supported by the CENI. This meant that Lemor was not a public servant, which had two key advantages. In terms of accountability, he was somewhat protected from public scrutiny. And the unusual role gave Lemor significant freedom because he would not be taking direct orders from the Peruvian government. In other words, he could move freely as a representative while on the payroll of the Peruvian corporate sector (Lemor 2018). Lemor's position provides a suggestive example of the political influence that results from international economic linkages. A powerful business sector collaborated with the Peruvian government, working closely to achieve the same objective.

In close coordination with Ortiz, Lemor began to research the specific interests of US congressional representatives one by one, so that he would know how best to

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approach them. He then visited as many as he could, inquiring about their apprehensions regarding the agreement and trying to establish how Peru might put them at ease. Furthermore, he attempted to paint them a fuller picture of the realities on the ground in Peru. For instance, significant US opposition to the FTA came from domestic interest groups, such as the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Public Citizen, and the American Friends Service Committee, each of which had concerns about labor standards in Peru (Ángeles 2007, 20). While the AFL-CIO was split on the issue, some of its member unions strongly opposed the trade deal in letters to Congress (The Hill 2007). To counter such opposition, Lemor frequently explained that Peru had rather strict labor laws and was in fact a signatory to more international labor (and environmental) treaties than the United States. The problem was that the country had a large informal sector, complicating proper enforcement. According to Lemor, such explanations persuaded several Democrats to support the FTA (Lemor 2018).

Still, to get the Democratic-majority Congress to pass Bush's trade deal, more was needed. The president's TPA would expire in July 2007, and persuading trade-skeptical Democrats to support a deal negotiated under a TPA granted in 2002 had little chance of success. A large group of Democrats wrote a letter to Rangel in which they proposed changes in US trade policy, pointing out that many of them had been elected to oppose "job-killing" trade deals (Inside U.S. Trade 2007a). To solve the issue, USTR Susan Schwab and House Ways and Means Committee ranking member Jim McCrery (Republican-Louisiana) negotiated an agreement on labor and the environment with the Democrats, which resulted in a "New Trade Policy for America" (Destler 2007).

The policy meant that labor and environmental standards would be subject to the same dispute settlement procedures as other issues agreed in trade deals. Specifically, core standards, as found in the 1998 International Labour Organization's Declaration on Fundamental Principles and Rights at Work, were included. Additionally, it was agreed that the weakening of laws related to ILO labor standards by a trade deal partner as a means to increase trade or encourage investment would constitute a breach of the deal (Ángeles 2007, 15). The policy also stated that US intellectual property demands should be considerate of the FTA partner's public health needs (Destler 2007, 10), which, in effect, led to intellectual property norms similar to those sought by the Peruvians during the original negotiations (Von Braun 2012, 139).

With the new policy in place, Peru's lobbying campaign, spearheaded by Lemor but buttressed by several visits of high-ranking Peruvian officials—including one by García and another by Foreign Trade Minister Aráoz—succeeded in preventing a complete renegotiation of the US-PTPA. Instead, acting quickly, Aráoz worked with USTR Schwab to produce two addenda to the agreement on labor and environmental standards, these having been the two main stumbling blocks for Democrats (Von Braun 2012, 141). The provisions of these addenda were highly intrusive to Peruvian sovereignty, reaching further than those previously agreed between the United States and Chile and the Central American states and the Dominican Republic in their respective FTAs. Yet political support for the addenda in Peru was nonetheless strong. Only two days after Aráoz and US ambassador to Peru James Curtis Struble signed the addenda, the Peruvian Congress voted 70 to 30 to approve both texts.

If the Peruvians had expected the Democrats now to throw their support behind the deal and swiftly pass the US-PTPA, they were in for yet another disappointment. Representative Sander Levin (Democrat-Michigan), who chaired the House Ways and Means Committee's Subcommittee on Trade, began to argue that changes to Peruvian domestic legislation could be held as conditional to US Congressional ratification (Inside U.S. Trade 2007b). A visit to Peru by a delegation of Democrats (including Rangel and Levin), in which García showed his guests that he had boosted the number of labor inspectors and established a Ministry for the Environment (McClintock and Vallas 2010, 202), led Rangel to announce that a vote might be possible in October (Camacho 2007). Nevertheless, shortly afterward, Democrats again stated that they expected changes to Peru's legislation before a vote (Inside U.S. Trade 2007c).

After public (La República 2007) and private (Lemor 2018) Peruvian protests against such demands, the US House of Representatives finally passed the US-PTPA on November 8, 2007; the Senate followed suit roughly one month later. However, passage came with one condition: Bush could not sign the US-PTPA into law until Peru upgraded its labor and environmental protections. To meet this demand, García then enacted more than one hundred legislative decrees in June 2008, many of which were later held to be unconstitutional (McClintock and Vallas 2010, 202).

When Barack Obama won the US presidential election in November 2008 after having indicated he would not negotiate new FTAs, Peruvians began to fear that the new president might not sign the deal once in office (Hooker2018). Democrats still objected to Bush signing the agreement, and in a final effort the García administration prepared three bills on labor, the environment, and intellectual property, which the Peruvian Congress approved on January 13, 2009. Three days later, only days before Obama's inauguration, Bush signed the US-PTPA into law.

A mere two years later, a serious threat to neoliberalism in Peru seemingly emerged with the election of leftist nationalist Ollanta Humala to the presidency. As some (Avilés and Rey 2017, 163; Levitsky 2011, 91) observed, many analysts at the time framed Humala's victory as further proof of the antineoliberal wave that was sweeping parts of Latin America. After all, Humala had only narrowly lost the 2006 presidential election against García, running on a platform that explicitly rejected the free trade agreement with the United States (McClintock 2006, 100). Still, Humala never became the Peruvian Hugo Chávez that some had anticipated, instead maintaining Peru's course, tucked in the slipstream of US-led neoliberal globalization.

Competitive liberalization and especially the influence generated by asymmetric trade relations may in part explain this. Humala had lost the 2006 runoff election for several reasons, one being urban voters' lack of support for his plans to nationalize strategic industries (Cameron 2011, 386). In 2011, Humala chose a different approach, trying to appeal to a larger segment of the Peruvian population by vowing to maintain the free rein for market forces (Burron 2012, 136). Furthermore, he distanced himself from Venezuela's Chávez and abandoned his earlier antineoliberal discourse.

Such a shift was in part a reaction to the elite and mainstream media coverage of the run-off between Humala and right-wing candidate Keiko Fujimori, which had played into Peruvians' fears of economic change under a Humala administration. Before the run-off, Humala integrated several mainstream technocrats—some of whom had served in the Toledo administration—into his campaign team. Together they drafted a centrist policy plan characterized by fiscal and monetary responsibility and respect for trade agreements, combined with increases in public spending and tax collection (Levitsky 2011, 89). Whatever antineoliberal messaging remained during his campaign, Humala soon discarded such rhetoric after winning the election, instead maintaining a conservative and liberal course and providing "vigorous support … for free trade and investor-biased initiatives such as the Trans-Pacific Partnership" (Avilés and Rey 2017, 173).

Cozying up to Peru's business elite—who controlled a significant part of the Peruvian media—as well as to agriculture and mining interests was seemingly a condition of electoral success. Such affiliations inevitably came with centrist, neoliberal policy. When projecting the onset of antineoliberalism in Peru onto Humala's election, analysts perhaps underestimated the extensive influence in Peruvian policymaking of neoliberal forces, the United States and its economic power, and transnational capital (Avilés and Rey 2017, 175). This underestimation is also to be seen in declarations of the postneoliberal moment in Latin America. Both fail to sufficiently account for not only the coercive power of US economic leverage but also the political influence it embeds in the domestic politics of smaller states.

Competitive Liberalization and US Hegemony

Postneoliberalism in Latin America, so far, has failed to live up to expectations. More than a decade after the claims of a postneoliberal era first appeared, there is no sign that an alternative regional order has been established. US-excluding organizations have either dwindled (ALBA, UNASUR) or at least failed to replace the Organization of American States as the most important regional institution (CELAC). But more important in light of this article's focus, the international political economy of Latin America remains a contested stage. In most Latin American states, governments that are sympathetic to Washington and to neoliberalism alternate with governments that are not. Currently, the region may be experiencing yet another Pink Tide, but the earlier tide receded and exposed, in several states, the sandy shores of right-wing conservatism. There is no good reason yet to expect this time to be different.

There are several causes for postneoliberalism's failure to fully materialize and establish an alternative regional order. These include volatility in commodity prices, corruption scandals, and small and large crises of democracy, all of which have damaged many of the leftist and left-of-center governments that supported and propelled US-excluding regionalism. Other causes may be "region inflation," which results in a variety of coexisting integration schemes that conflict with one another; reliance on interpresidential dynamics rather than supranationality; and multiple membership, which creates frictions between schemes (Malamud and Gardini 2012, 122–24). Besides these internal causes, however, an external cause may be the US reaction to its declining influence in the region: competitive liberalization. It represented a reorientation of US foreign trade policy toward bilateralism as a means to advance and reconfirm US hegemony in the Americas. The US-PTPA plainly illustrates what advantages competitive liberalization brought the United States.

First, it provided an alternative to US-excluding regional integration, thereby offering states the option of retaining or deepening close economic relations with the United States. While Latin American states are not homogeneous and one should be cautious when making generalizations, many states—one of which was Peru—were happy to seize this opportunity. Competition with other regional and extraregional states played a role in Peru's decision. An important motivation for Peru's insistence on being included in the AFTA negotiations was fear of Colombian competition in the event of a bilateral US-Colombian agreement. Second, the negative effects of no deal (possible expiration of ATPDEA preferences, as well as the unilateral certification mechanism that presented a constant threat to Peru's economy) and the positive effects of a potential FTA (increasing flows of FDI and growth of exports to the US market) were evident. Therefore, Peruvian policymakers—not the USTR—became the main driving force behind the negotiations for the US-PTPA.

As such, those policymakers chose trade integration with the United States over trade integration that outright excluded the United States, which was pursued by some of their neighbors. Motivated by the prospect of certain economic gains, closer trade with the United States became the favored policy option for preparing Peru for a globalized world. The decision was heavily influenced by Peruvian business interests that favored a trade deal with Washington. The influence of the CENI, which was closely involved in the negotiation process and was even consulted by Peruvian negotiators during negotiation rounds, is particularly notable. While a form of Hirschmanesque coercion lies at the root of competitive liberalization—after all, it used the economic power of the United States to force states that depend heavily on trade with it to agree to US demands in trade negotiations or risk interruption of trade flows—the political influence of business interests that resulted from economic linkages with the United States clearly played an important role as well. This influence can be seen at several stages of the negotiation and ratification process.

Besides the influential advisory role of the CENI, the linkages between it and the Peruvian government are illustrated by the appointment of Lemor to the role of minister of production and later as the main lobbyist in Washington, tasked with getting the deal ratified by the US Congress. The fact that it was the business sector that funded this latter role speaks volumes about the impact of Peruvian exporters and the business elite on policymaking. Furthermore, objections from within Peruvian society against the agreement (e.g., the issues surrounding intellectual property rights provisions voiced by Roca of INDECOPI) were ultimately ignored and the agency sidelined.

The free trade agreement was a hot topic during Peru's 2006 presidential election, when the deal had just been agreed to, and free trade again featured prominently as an election topic during the 2011 presidential campaign. In 2006, Humala campaigned against the deal, while García was less explicit about his position in public but supported it in private. His campaign received significant funding from the banking and mining sectors, and he won the election. In 2011, Humala won, but only after changing his earlier oppositional stance toward neoliberal policy. This shift garnered him support among Peru's conservative elite, ultimately securing him the presidency.

Political influence of the beneficiaries of economic relations thus played a major role in the establishment of the US-PTPA, more so than did coercion. The United States certainly did use its economic power to push Peru to agree to certain elements of the deal, but the negotiations were generally instigated by Peru. Coercion was particularly apparent during the ratification process. It resulted in the hurriedly drafted addenda and in the adoption of legislation by the Peruvian Congress. The case, therefore, clearly demonstrates the combination of economic coercion and political influence that together inspire both the passive compliance with US demands and active pursuit of US commitment that characterize the dynamics of competitive liberalization.

The policy was effective—not only in Peru, but also in Chile, Colombia, Central America and the Dominican Republic, and Panama. It presented these states with an attractive offer in lieu of US-excluding trade integration. That García felt the need to accentuate the geopolitical impact of a deal—apparently vindicating Peru's choice not to follow Latin America's shift to the left—both explains the larger hegemonic strategy behind the policy and illustrates the central role of smaller state agency in it.

Competitive liberalization probably contributed to preventing a potential merging of MERCOSUR and the CAN into something like a South American Free Trade Agreement (SAFTA). The proposal to establish SAFTA first surfaced at the 1993 summit of the Rio Group and then got sidelined by the FTAA project. However, in 2000 Brazil and Venezuela announced the beginning of a dialogue that would lead to the establishment of a free trade area encompassing the entirety of South America by 2002 (Singer 2000), a clear indication of how the "post-American" moment in Latin America began to build well before the actual arrival of US-excluding regional organizations.

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Competitive liberalization cannot be seen as separate from such South American initiatives. By persuading both Peru and Colombia to negotiate agreements with the United States, the policy provided a countermovement. These negotiations, in turn, led Venezuela to withdraw from the CAN in 2006 (Phillips 2008, 162). Without the United States' strategic appliance of competitive liberalization, might something like SAFTA have been established? It is impossible to know. What seems certain, however, is that the policy represented a hurdle to further US-excluding trade integration in Latin America.

The Peruvian case also points to the important link between bilateral relations and the functioning of a wider, systemic concept like hegemony, a possibly interesting avenue for future research. While hegemony is often thought to play out on a global or regional level, hegemony may be served much better bilaterally. The FTAA's failure was widely seen as a failure of US hegemony, but perhaps this failure was much less severe than one might assume, precisely because the US could reaffirm its hegemony bilaterally where it had lost its leadership role and leverage on the multilateral level. Considerations informed by the bilateral level may lead a weaker state to embrace hegemony, thereby legitimating the hegemon's leadership. Seen this way, competitive liberalization worked to strengthen US hegemony in Latin America precisely by galvanizing Latin American states to abandon multilateralism and actively approach the United States for trade talks. Hegemony, it appears, may at times be pursued not only by the hegemon but also by the weak—that is, if the hegemon plays its cards right. When the FTAA crumbled, competitive liberalization may have been Washington's ace of spades.

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