

web is now so extensive that only a handful of significant trading countries (Canada included) trade with the EU on the basis of the Most Favoured Nation clause—perverse, this has morphed into what now could more accurately be labelled “Least Favoured Nation” status.

The Americas are also awash in regional/bilateral activity.

The most comprehensive current initiative is the Free Trade Area of the Americas (FTAA) process. The momentum of this process has clearly been weakened by the financial crises that have swept South America since contagion from the Asian Crisis hit Brazil in 1998, and arguably by the widening of the US external deficit which *inter alia* reduces the ability of the US to provide the market opening required to underwrite the deal—indeed, the United States must be looking at the FTAA as a market opportunity to help resolve its own external deficit problems.⁶ On the one hand, popular support in South America for the “globalization” strategies of the 1990s has waned with the collapse of benefits from those strategies. Argentina has had what has been termed the worst peacetime economic collapse in the history of industrialization. While it has not turned its back on trade, questions are being asked about how Argentina, never mind the international economic community, managed its engagement in the global economy. Brazil, meanwhile, faces a great challenge in walking a tightrope between asphyxiating domestic growth through austerity measures and generating sufficiently large primary surpluses to keep its public debt from exploding in the face of extremely high real interest rates. The fate of other South American countries hangs very much in the balance as South America’s linchpin economy struggles to restore the positive dynamic of the 1990s, which for the five years

⁶ There is an interesting parallel between the FTAA and European integration in that the motive for the FTAA is in part political, as underscored by the essence of the bargain: democratization for market opening. At the same time, the political consensus for the process lacks the power behind Europe’s process—the lessons of Europe’s wars over the past 500 years and partially into the last century made the main European protagonists, France and Germany, willing to underwrite the formation of the Union. There is no equivalent intensity of purpose in the United States.