



**TRADE POLICY MAKING IN LATIN AMERICA:
A COMPARED ANALYSIS
&
IMPLEMENTING TRADE POLICY
IN LATIN AMERICA:
THE CASE OF CHILE AND MEXICO**

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Opinions expressed are personal



TRADE POLICY MAKING IN LATIN AMERICA: A COMPARED ANALYSIS

- **TRADE REFORMS IN LATIN AMERICA;**
- **FORMULATING TRADE POLICY IN LATIN AMERICA;**
 - **The Legislative Power;**
 - **The Executive Power: *L'État c'est moi*;**
 - **Relationship between the public sector and the civil society;**
- **CONCLUSIONS**

TRADE REFORMS IN LATIN AMERICA

Country	BEGINNING YEAR	SIMPLE TARIFF AVERAGE %			NON TARIFF BARRIERS COVERAGE (%/M)	
		BEGINNING	1993	2003	1985-87	1991-92
Argentina	1989	43.7	10.9	11.8	31.9	8.0
Bolivia	1985	20.0	9.8	9.3	25.0	0.0
Brazil	1988	50.6	14.2	12.0	35.3	8.0
Colombia	1989	47.6	11.7	11.6	73.2	1.0
Costa Rica	1985	53.0	11.7	5.9	0.8	0.0
Chile	1973	94.0	10.0 ^a		n.a	n.a
	1985	35.0	11.0	6.0	10.1	0.0
Ecuador	1985	50.0	9.3	11.3	59.3	n.a.
Mexico	1985	34.0	13.0	17.3	12.7	20.0
Paraguay	1985	71.3	9.2	11.3	9.9	0.0
Peru	1989	68.1	17.6	10.9	53.4	0.0
Uruguay	1985	32.0	17.0	12.0	14.1	0.0
Venezuela	1989	30.6	15.7	13.0	44.1	5.0

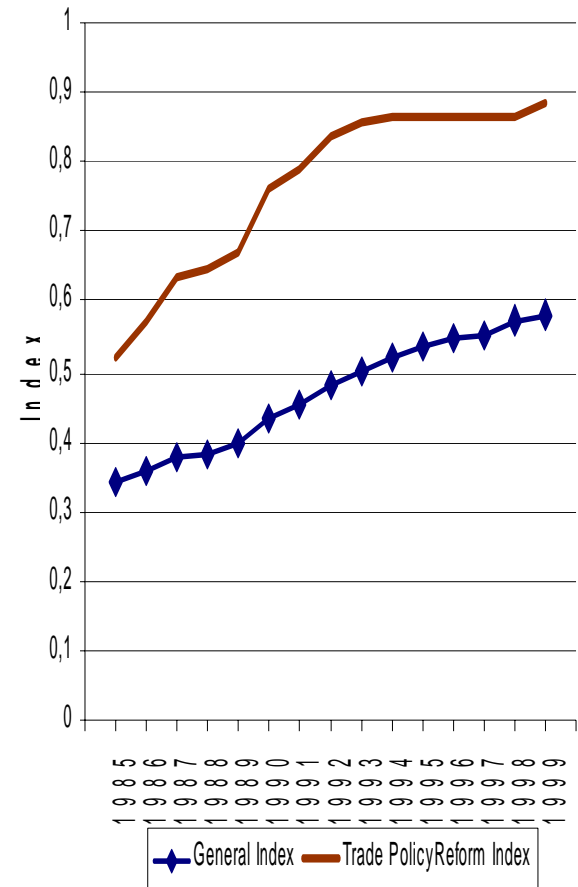
Sources: ECLAC (1985), Edwards (1997), Lora 2001 and World Bank

a) Chile had two trade reform processes this figure corresponds to 1979-1982.

TRADE REFORMS IN LATIN AMERICA

- The trade policy reform processes shared four basic features:
 - Reduced coverage of non-tariff barriers;
 - Substantial reduction of tariff barriers in relatively short periods; depth and rapidity;
 - Reduced dispersion of tariff protection; and
 - Reduction or elimination of export tax.
- it has been accompanied by an increase of intraregional trade agreements

Reform Index in Latin America: 1985-99



TRADE REFORMS IN LATIN AMERICA: THE ROLE OF FTAs.

	ITA		ETA		ALL	
	1991	2003	1991	2003	1991	2003
Latin America	7.4	11.8	0.0	42.3	7.4	54.1
Latin America (excluding Chile and Mexico)	11.4	20.8	0.0	0.0	11.4	20.8
Argentina	20.8	32.1	0.0	0.0	20.8	32.1
Bolivia	3.7	54.8	0.0	0.0	3.7	54.8
Brazil	10.7	15.4	0.0	0.0	10.7	15.4
Chile	3.9	37.4	0.0	40.2	3.9	77.6
Colombia	9.4	19.3	0.0	0.0	9.4	19.3
Ecuador	7.0	27.5	0.0	0.0	7.0	27.5
Mexico	0.3	1.4	0.0	80.6	0.3	32.0
Paraguay	30.0	55.3	0.0	0.0	30.0	55.3
Peru	14.8	34.9	0.0	0.0	14.8	34.9
Uruguay	41.0	48.2	0.0	0.0	41.0	48.2
Venezuela	3.6	16.9	0.0	0.0	3.6	16.9

Source: ECLAC (2004), Table 5.8

Notes: Latin America includes all Central American countries, Cuba, Panama and the Dominican Republic.

ITA: Intra-regional Trade Agreements; ETA: Extra-regional Trade Agreements.

SOME RESULTS

- The expansion of trade in general and of exports of goods and services was the driving force of economic growth in the 1990s. This pushed the ratio of exports of goods and services to GDP from 12.5% to 21.5%.
- However, economic growth in the region was modest during the decade. This has raised a debate regarding the true benefits of the reforms, especially if contrasted with the region's economic performance in previous decades.



FORMULATING TRADE POLICY IN LATIN AMERICA

- Despite differences across Latin American countries some elements are common to all.
- The legal tradition of South American countries places foreign policy and trade policy conduct in the Executive Power;
- The task of the Congress is to approve or reject the terms and conditions of negotiations carried out by the Government, but there is no active role assigned in the Constitutions *ex-ante* to Congresses;
- In general trade institutions in the Region are very weak, with the exception of Brazil, Chile Colombia and Mexico, have limited budget resources, low technical capacity, and are under staffs;



FORMULATING TRADE POLICY IN LATIN AMERICA

- Civil society's participation has evolved over time.
- With varying degrees of effectiveness or interest, the entrepreneurial sector has traditionally influenced negotiations.
- As economic liberalisation has become the dominating policy paradigm, this sector's participation has changed. Civil Society interest groups involved with the cultural, environmental or labour-related issues have begun to intervene and are gradually increasing their participation.
- Participation is an element that is strongly driven from outside the countries, be it as a requirement to improve the “transparency” of these processes that arises as a domestic need of the trade partners themselves, particularly the US and Canada, and, to a lesser extent, the European Union.



FORMULATING TRADE POLICY IN LATIN AMERICA

- **The Legislative Power:**

The constitutions of the countries in our sample share four common principles:

- a) foreign relations are conducted by the Executive Power;
- b) the Executive Power has the authority to negotiate international agreements;
- c) the Legislative Power has the authority to approve or reject agreements proposed by the Executive Power; and
- d) the provisions in international agreements dominate over domestic laws, although this is not always stated specifically in the constitutions.



FORMULATING TRADE POLICY IN LATIN AMERICA

- **The Executive Power: *L'État c'est moi***
 - trade policy arising from international agreements is a key component of foreign policy, which is primarily conducted and oriented by the President himself;
 - As to who is responsible within the Executive Power to carry out the negotiations, it varies;
 - Coordination problems exist;
 - Ownership
 - Public officials have great latitude to follow their own political preferences;
 - Lack of resources, both human and financial, to participate properly in a series of negotiating processes that are taking place simultaneously.



FORMULATING TRADE POLICY IN LATIN AMERICA

- **Relationship between the public sector and the civil society**
 - The added complexity forced to open the door to new actors and interested parties that were not considered in the old trade policy making process;
 - In a comparative view, it appears that most countries had very imperfect participation mechanisms until the mid-nineties;
 - It is interesting to note that, with the exception of MERCOSUR, the need to extend participation arises as the response to the decision to negotiate a free trade agreement with the US;
 - Private agents are not always in the position to contribute to the negotiation process in a timely and appropriate basis.



FORMULATING TRADE POLICY IN LATIN AMERICA

- the quality of participation is often a function of the relative size of players consulted;
- in most cases the level of institutionalisation of procedures for participation is pretty low, which results in low possibilities to influence, weakness of discussed contents, and poor transparency;





IMPLEMENTING TRADE POLICY IN LATIN AMERICA: THE CASE OF CHILE AND MEXICO

- FREE TRADE AGREEMENTS IN THE AMERICAS: THE MODELS;
 - The Old and the New Integration Process;
- FTA AND INSTITUTIONAL REFORMS:
 - The Case of Mexico;
 - The Case of Chile;
- IMPLEMENTATIONS ISSUES;
- IMPLEMENTATION PROBLEMS
SOME HYPOTHESIS;
- SOME POLICY LESSONS

THE OLD AND THE NEW INTEGRATION PROCESS.

OLD	NEW
TRADE COVERAGE	
Mainly trade in goods liberalization	Broad (goods, services, investments, intellectual property, government procurement, SPS, TBT, etc.)
TRADE LIBERALIZATION IN GOODS	
Mainly preferential trade agreements with limited trade coverage and partial tariff reduction	Negative lists and automatic schedules, limited exceptions (less than 10 percent of trade)
RULES OF ORIGIN	
Simple rules across tariff universe	Complex rules and families of rules of origin
OVERALL ECONOMIC AND TRADE POLICY	
Import substitution/inward looking development strategies, high, differentiated and disperse tariffs structure	Export-led oriented strategies, lower tariff protection, differentiated structure but less disperse
INTEGRATION MODEL	
European type integration approach based on ALADI Framework	Free Trade Agreements modeled in NAFTA type provisions
INSTITUTIONAL ARRANGEMENTS	
Bureaucratic European style approach, supra national secretariats and weak dispute settlements mechanism	Members driven, no bureaucratic institutional arrangements, excepts CAN agreement, stronger dispute settlements, except in ALADI type agreements.



FTA AND INSTITUTIONAL REFORMS.

■ The case of Mexico

- During 1980s;
- The NAFTA process;
- After NAFTA;
- Experiences

■ The case of Chile

- The early reformer;
- The new trade policy;
- Laws and institutions;
- Experiences



IMPLEMENTATIONS ISSUES

- Implementation is ensured through different mechanisms and during several stages of the process.
- Prior to the beginning of negotiations, certain conditions are established in order to start the process, changes of certain laws (intellectual property rights, or elimination of certain trade barriers).
- During the negotiations, several legal reforms may be introduced in order to prepare the overall legal framework to the new set of obligations.



IMPLEMENTATIONS ISSUES

- Prior to the entry into force of an agreement some changes or new legislations may be introduced in order to ensure consistency of domestic law with certain of its provision. In this latter case, other problems may arise.
- In many cases, the treaty contemplates transitional period until the new obligations are fully in effect, during this period the parties have time to draft and approved the necessary legislation or introduce the require administrative regulations.



IMPLEMENTATIONS ISSUES

- Finally, the agreements institutional arrangements help to better implement provisions and resolved certain problems: commission, working groups and periodical meeting help to monitor the implementation of obligations;
- Nevertheless, certain good faith implementation problems may arise;
- A third source of difficulties may arise by lack of resources to implement the obligations.



IMPLEMENTATIONS ISSUES

- The Case of Mexico;
- The Case of Chile.



IMPLEMENTATION PROBLEMS SOME HYPOTHESIS

- Why Mexico and Chile were successful in adopting and implementing a trade strategy based on export-led growth and the rest of LAC have been less successful?
 - Persistence of policies;
 - The reform process in Mexico and Chile is more mature;
 - Public officials and the infrastructure of the public sector;





THANK YOU

