

# Research and International Trade Policy Negotiations

Knowledge and Power in Latin America

Edited by Mercedes Botto

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# **Routledge Studies in Latin American Politics**

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Mercedes Botto

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**Edited by Mercedes Botto**

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# Contents

<i>List of Tables</i>	vii
<i>List of Abbreviations</i>	ix
<i>Preface I: Federico S. Burone</i>	xv
<i>Preface II: Ricardo Carciofi</i>	xvii
<i>Acknowledgments</i>	xix
<b>Introduction: The Impact of Knowledge on Trade Policy Making</b>	<b>1</b>
MERCEDES BOTTO	
<b>1 The Research Challenge in the Context of Permanent Negotiations</b>	<b>21</b>
DIANA TUSSIE WITH PABLO HEIDRICH	
<b>2 The Role of Academia in Regional Governance</b>	<b>41</b>
DEISY VENTURA	
<b>3 Think Tanks in External Trade Negotiations: Do They Advise, Mediate, or Legitimate Interests? A Comparative Analysis of the Southern Cone</b>	<b>48</b>
MERCEDES BOTTO	
<b>4 Mexican Academia and the Formulation and Implementation of Trade Policy in Mexico</b>	<b>81</b>
BLANCA TORRES	
<b>5 The Management of Knowledge in Trade Policy: The Case of Uruguay</b>	<b>108</b>
CRISTINA ZURBRIGGEN	

vi *Contents*

<b>6</b>	<b>The Influence of Academia on Mercosur's Tariff Policy</b>	<b>143</b>
	MERCEDES BOTTO AND CINTIA QUILICONI	
<b>7</b>	<b>The Impact of Academia on the Negotiations on Health and Education Services in Argentina: Challenges and Opportunities</b>	<b>175</b>
	MERCEDES BOTTO AND JULIANA PEIXOTO BATISTA	
	<i>Contributors</i>	211
	<i>Index</i>	213

# Tables

1.1	The Negotiating Cycle	35
3.1	Description of the Interviewees	49
3.2	Characteristics of Chile's In-House Think Tank	56
3.3	Chilean Private Sector Think Tank	57
3.4	Type of Publication by Institution in Chile	58
3.5	In-House Think Tanks in Argentina: Center for International Economics (CEI)	61
3.6	In-House Think Tanks in Argentina: Center for Studies of Production (CEP)	62
3.7	Sectoral Think Tank in Argentina	63
3.8	In-House Think Tank in Brazil	67
3.9	Private Think Tank in Brazil	68
5.1	Trade Agreements Signed by Mercosur	113
5.2	Structure of Uruguay's Exports and Imports	114
5.3	Trade Policy Coordination Mechanisms	118
5.4	Mapping of Research/Information Capacities	128
5.5	Mapping of the Information/Research Capacities of Business Associations	129
6.1	Annual Academic Output on Mercosur	145
6.2	Academic Output by Source (1991–1994)	145

viii *Tables*

6.3	Intra-Mercosur Academic Output (1991–1994)	145
7.1	Example of List of Commitments (by country)	179
7.2	Sectoral Commitments in the GATS (Values in Percentages) to March 2005	182
7.3	FTAs Signed or Under Negotiation with a Services Agenda (1994–2006)	184
7.4	Views and Disputes in Education	191
7.5	Views and Disputes in Education	194
7.6	Argentina’s Education Services Commitments in Mercosur	201
7.7	Argentina’s Health Services Commitments in Mercosur	202

**APPENDIX TABLES**

3.1	Levels of Opening by Year (Chile, Argentina, and Brazil)	75
3.2	External Negotiations, Chile (1983–2005)	76
3.3	External Negotiations, Argentina (1994–2005)	77
3.4	External Negotiations, Brazil (1994–2005)	78

# Abbreviations

ABAG	Brazilian Agribusiness Association
ABEF	Brazilian Chicken Producers and Exporters Association
ABIEC	Brazilian Association of Meat Exporting Industries
ABIMAQ	Brazilian Association of the Machinery and Equipment Industry
ABIOVE	Brazilian Oilseed Processors Association
ABIPECS	Brazilian Association of Pork Producers and Exporters
ABIQUIM	Brazilian Chemicals Industry Association
AMA	Argentine Medical Association
ANFAVEA	Association of Vehicle Manufacturers
ANIERM	National Association of Importers and Exporters
APEC	Asia-Pacific Economic Cooperation
ARU	Uruguayan Rural Association
ASEXMA	Association of Manufactures Exporters
BNC	Biregional Negotiating Committee
BNDES	National Bank for Economic and Social Development
BNHI	Business Network for Hemispheric Integration
CAF	Andean Development Corporation
CAIXA	Federal Economic Savings Institution
CAMEX	Chamber of External Trade
CANACINTRA	National Confederation of the Processing Industry
CARI	Argentine Council of International Relations
CARICOM	Caribbean Community
CCE	Business Coordinating Council
CEA	Center for Advanced Studies
CEAM	Center for Advanced Multidisciplinary Studies
CEDRSSA	Study Center for Sustainable Development and Food Sovereignty
CEESP	Private Sector Economic Studies Center
CEI	Center for International Economics
CEMA	Argentine Center for Macroeconomic Studies
CEMAI	Mexican Business Council for International Affairs
CENIT	Technological Innovations Studies Center

x *Abbreviations*

CEP	Center for Production Studies
CET	Common external tariff
CIACEX	International Council of Foreign Trade
CIARA	Argentine Chamber of the Oil Products Industry
CIDE	Center for Economic Research and Teaching
CIEDLA	Interdisciplinary Center on Latin American Development
CIEDUR	Interdisciplinary Center of Development Studies
CIMS	Mercosur Doctors Integration Commission
CIN	National Inter-University Council
CINDES	Center for Integration and Development Studies
CINVE	Center for Economic Research
CISEA	State and Administration Research Center
CLAEH	Latin American Center on Human Economy
CLASCO	Latin American Council of Social Sciences
CMC	Common Market Council
CMG	Common Market Group
CMHN	Mexican Council of Businessmen
CMPP	Mercantile Chamber of National Products
CNCS	Nation Chamber of Trade and Services
CNI	National Confederation of Industry
CNIME	National Council of the Maquiladora Export Industry
CNPq	National Council on Scientific and Technological Development
COECE	Coordinator of Foreign Trade Business Organizations
COLMEX	College of Mexico
COMCE	Mexican Council on Foreign Trade, Investment and Technology
COMISEC	Sectoral Commission for Mercosur
COMRA	Medical Confederation of Argentina
CONACEX	National Export Council
CONACYT	National Council on Science and Technology
CONARE	Costa Rican National Council of Rectors
CONCAMIN	National Confederation of Chambers of Industry
CONCANACO	Confederation of Chambers of Commerce
CONEAU	National Commission on University Evaluation and Accreditation
CONFEMECO	Federal Council of Collegial Medical Entities
CONFEMEL	Medical Confederation of Latin America and the Caribbean
CONICET	National Scientific and Technical Research Council
CONICyT	National Commission for Scientific and Technological Research
CPAU	Professional Council of Architecture and Town Planning
CROC	Revolutionary Confederation of Workers and Peasants
CRUP	Council of Private University Rectors

CTERA	Argentine Union of Educational Workers
CTM	Confederation of Mexican Workers
CUT	Single Workers' Central
CUTI	Uruguayan Chamber of Information Technologies
DFID	Department for International Development
DIRECON	Foreign Trade Directorate
DRC	Development Research Center
ECLAC	Economic Commission for Latin America and the Caribbean
ECSC	European Coal and Steel Community
EGDI	Expert Group on Development Issues
EU	European Union
FAE	Argentine Nursing Federation
FAO	Food and Agriculture Organization
FDI	Foreign direct investment
FESUR	Friedrich Ebert Foundation
FIEL	Foundation for Latin American Economic Research
FIESP	Federation of Industries of São Paulo State
FIRJAN	Federation of Industries of Rio de Janeiro
FLACSO	Latin American Faculty of Social Sciences
FOMEC	Fund for the Improvement of University Quality
FONPLATA	Financial Fund for the Development of the River Plate Basin
FTAA	Free trade Area of the Americas
FUNCEX	Foreign Trade Studies Center Foundation
GAEC	Common External Tariff Support and Monitoring Group
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDN	Global Development Network
GDP	Gross domestic product
GEA	Associate Economists Group
GSP	Generalized System of Preferences
IAPG	Argentine Institute of Gas and Petroleum
IBGE	Brazilian Institute of Geography and Statistics
IBS	Brazilian Iron and Steel Institute
ICONE	Institute for Trade and International Negotiations Studies
IDB	Inter-American Development Bank
IDE	Institute of Developing Economies
IDRC	International Development Research Centre
IEIP	International Economic Institutions Program (FLACSO)
IICA	Inter-American Institute for Cooperation on Agriculture
IIRSA	Initiative for the Integration of Regional Infrastructure in South America

xii *Abbreviations*

IMF	International Monetary Fund
INAI	Institute of International Agricultural Negotiations
INEGI	National Institute of Statistics, Geography and Information Technology
INTAL	Institute for the Integration of Latin America and the Caribbean
IPEA	Institute of Applied Economic Research
ISEN	Foreign Service Institute
ITAM	Autonomous Technological Institute of Mexico
KDI	Korean Development Institute
LAIA	Latin American Integration Association
LATN	Latin American Trade Network
MEF	Ministry of the Economy and Finance
MERCOSUR	Southern Common Market
MEXA	Experimental Accreditation Mechanism
NAFTA	North American Free Trade Agreement
NAMA	Nonagricultural market access
NGO	Nongovernmental organization
NTBs	Nontariff barriers
OECD	Organization for Economic Cooperation and Development
OLADE	Latin American Energy Organization
OLPED	Latin American Observatory of Education Policies
PAN	National Action Party
PICE	Economic Integration and Cooperation Program
PIERAN	Interinstitutional Studies Program on North America
PRD	Party of the Democratic Revolution
PRI	Institutional Revolutionary Party
RIC	IPEA Knowledge Network
RME	Meetings of Ministers of Education
RMLAC	Mexican Free Trade Action Network
RMS	Meetings of Ministers of Health
SACU	Southern African Customs Union
SARH	Secretariat of Agriculture and Water Resources
SAT	Technical Advisory Sector
SE	Economy Secretariat
SECOFI	Secretariat for Trade and Industrial Development
SECyT	Secretariat for Science, Technology and Productive Innovation
SEMIP	Secretariat of Energy, Mines and State-Run Industry
SHCP	Secretariat of the Treasury and Public Credit
SICA	Central American Integration System
SMEs	Small and medium-size enterprises
SOFOFA	Industrial Promotion Society
SPU	Secretariat of University Policies

SRE	Foreign Relations Secretariat
TEC	Monterrey Technological Institute
TPNU	Trade Policy and Negotiations Unit
UBA	University of Buenos Aires
UEU	Uruguayan Union of Exporters
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICA	São Paulo State Union of the Sugarcane Industry
UNT	National Workers' Union
USC	University of Southern California
WSG	Working subgroup
WTO	World Trade Organization

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# Preface I

*Federico S. Burone*

Regional Director Latin America and the Caribbean  
International Development Research Centre

In recent years FLACSO Argentina has been creating arenas for analysis and building communities for reflection and learning on processes connected to the establishment of new institutional systems that support economic and trade policy decision making. This book, coordinated by the Study Program on International Economic Institutions (PIEI), is a particularly important contribution to those efforts. Clearly, moreover, it is a timely contribution in light of the need for comparative and multiperspective analyses of the paths taken by different countries in Latin America.

We are now in the second half of the first decade of the twenty-first century, and for Latin America in particular this is a period marked by greater eagerness among various social actors to analyze the present and to be able to determine states' capacities for forward-looking thinking about Latin American countries' insertion into the regional and global contexts. The importance of reviewing the ups and downs of reform in the past two decades is still apparent in technical and political fora, and doubtless there are important lessons to be learned from that period. Nonetheless, the use of those reflections in guiding present-day decisions, as well as in building, documenting, and communicating scenarios for economic growth and an improvement in the distribution of that growth among societies, has acquired equal or even greater force in the meeting point between evidence, knowledge, and decision making.

Consistent with those trends, the core contribution of this book is in the area of the interaction between ideas, their construction, and the formulation and implementation of external trade policy. To that end, as well as taking on the challenge of integrating the outlooks of various actors in this field, the book proposes a multidisciplinary approach to identifying the lessons learned from the progress of market reforms and their implications, with a view to understanding the present context and how it might evolve.

The book analyzes the reforms and trade policies from a sectoral perspective, and from the standpoint of systems that offer evidence on how to manage external trade relations. It thus presents the challenges that the state faces in assuming responsibilities at the domestic level and with its peers, taking positions in various structures that facilitate better outcomes

in external commercial insertion—such as regional integration agreements, or arenas for international and regional coordination of the conditions for opening toward global markets. From that perspective the book shows the reader the importance of trade policy, and the significance of how it is made and implemented, in the democratization of states and of many transnational arenas.

One of the goals of the International Development Research Centre (IDRC) is to facilitate the use of knowledge and the results of technical research in decision making on public policies, thereby promoting knowledge as a democratizing factor. In that light, collaboration with this publication—with those who have contributed their analysis from the initial activity that gave rise to this exercise in reflection and synthesis, and with those who have added their interest to this endeavor—is an accomplishment for the IDRC and a very important means of shared learning. The Center's contribution is part of its collaboration with knowledge-gathering institutions and networks that are geared to the production and use of research in a way that pays particular attention to the many demands of such knowledge and its users.

# Preface II

*Ricardo Carciofi*

Director Institute for the Integration  
of Latin America and the Caribbean  
Inter-American Development Bank (INTAL/IADB)

The chapters of this book explore a common theme: the capacity and limitations of academic research in contributing to the design and implementation of trade policies and strategies for international insertion. By studying experiences in Latin America, the authors address a diverse field: conceptual matters, regional issues, and analysis of national and sectoral cases.

We considered it interesting and useful for IADB/INTAL to support the dissemination of this material. First, though the research methodology is a matter of debate in academic circles, the studies cover those developments and thus enrich the analytical level of the discussion. In addition to this conceptual endeavor, several chapters also use information from field research that enhances and expands our understanding of the issues being examined. In that respect, the book makes a contribution to a field in which there has been little previous research.

Second, given the issues discussed and the way they are addressed in the various chapters, the book is of interest to a wide readership: students, specialists, researchers, and public-policy makers. Students will find here accounts of national experiences and sectoral negotiations that are not always easy to acquire by those who have not had an opportunity to take part in these processes. Specialists in the field can verify the more robust aspects of the studies, as well as those hypotheses that require more analysis and evidence. Finally, the book is also an invitation to a dialogue with policy makers and trade negotiators, those responsible for international relations, and leaders of agencies working on development and trade policy. In this regard, it should be noted that the authors signal a doubly constructive posture. On the one hand, they indicate that academia has managed to gain access to and offer support in a field and issue area that previously was the preserve of governments. On the other, they also acknowledge that the quality of academic output would benefit from greater exchange and dialogue with the actors directly involved.

Finally, from the institutional standpoint, IADB/INTAL became involved in this research project in its final stage. The book's editor, Mercedes Botto, and the various authors had previously undertaken the coordination of the

project, the field-work, and the research. All that was needed was a supplementary but essential effort to edit the draft studies and publish them. That is how the Institute has supported the project: by facilitating the final steps leading to publication. This allowed the findings of an endeavor that was almost complete, and that otherwise would have had a smaller readership, to be made available to those who are interested in trade negotiating processes. For these same reasons, INTAL's support for the publication does not necessarily imply agreement with the authors' conceptual approaches, opinions, or viewpoints.

# Acknowledgments

To know and understand civil society's role in current regional integration processes has been an aim of my role since I joined FLACSO in 1999. With the passing of time I have discovered new ways of addressing this issue and have expanded on them. In 2004, an international competition organized by the Global Development Network (GDN/World Bank) led me to focus on a particular civil society actor, academia, and the influence that its research has on public policies.

The proposal presented at that time centered on the making of trade policies and, specifically, on international-trade negotiations—an area in which FLACSO's international relations section has a long history of academic research and involvement. I found the issue highly interesting, not only because of its novelty (there were no systematic studies of the matter) but also because it makes all of us who make a living from research the subject of our own inquiries. It allowed us, and to some extent even obliged us, to consider and reflect on the purpose of our profession.

Thus we embarked on a series of interviews with academics and decision makers involved in formulating and implementing external trade policy in the Southern Cone (Argentina, Chile, and Brazil). Our interest in the issue was matched by that of our interviewees, bolstering the idea of extending the study to other countries of Latin America. Thus we proposed holding a workshop on the nexus between research and foreign-trade policy in Latin America, as part of a forum organized by UNESCO and the Argentine government in February 2006. This book sprang from the richness of the papers presented at the workshop and the enthusiasm of colleagues from other countries who were interested in furthering the debate on the issue.

I want to give my deepest thanks to the many people and institutions that participated and collaborated in this endeavor. First, to the authors, who undertook an arduous labor of fieldwork and analysis, which is reflected in each of the chapters in the book. Second, to the institutions and organizations—such as the International Development Research Centre (IDRC), the Secretariat for Science, Technology and Productive Innovation (SECyT) of Argentina's Ministry of Education, Science and Technology, and the Institute for the Integration of Latin America and the Caribbean

(IDB/INTAL)—which made possible each initiative from the emergence of the idea to the distribution of the book. I also want to thank all those colleagues who dedicated time and effort to reviewing the studies, and who are mentioned individually in each chapter, and to my colleagues at the Program of International Economic Institutions (PIEI) at FLACSO, especially to Daniela Perrotta and Jorgelina Loza who helped me in the coordination and edition of this book. Finally, I owe my special thanks to Agustin Rojo, my husband, my life partner, who patiently accompanies me and supports me both personally and professionally.

Mercedes Botto  
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FLACSO Argentina—CONICET

# Introduction

## The Impact of Knowledge on Trade Policy Making

*Mercedes Botto*<sup>1</sup>

Concern with understanding how academic knowledge affects decision making is not new. It dates back to the early days of social science, and has persisted in contemporary debates about the knowledge-policy nexus and the functions of experts with regard to decision makers, assessing who is subordinate to whom, and in the name of what legitimacy. Only in the postwar period was analysis of these matters systematized as a specific branch of the recently created science of public policies.<sup>2</sup>

Currently there is renewed interest in these questions. That interest is nourished by a growing and varied number of initiatives at both the international and national levels (UNESCO, World Bank, GDN, IDRC, DFID, EGDI, and others) that seek to reinforce the impact of knowledge on public policies as an instrument of social change (development, equity), and as a means of effecting social policies and practices that are ever more robust and effective.

No nation that wants to shape informed policies and take effective action . . . can afford to be without its own independent capacity in science and technology . . . Every nation [should] develop a science and technology policy that reflects local priorities. (Annan, 2004: 925).

While it is possible to distinguish different theoretical approaches, as well as the political and/or ideological perspectives and interests they pursue, all these initiatives agree on the need to strengthen the production of local knowledge that is geared to resolving each community's own development problems through empirical research. The more robust the findings and the better they are communicated to decision makers, the greater the chances that the research will find echo in high-quality and effective public policies—that is, policies that can solve a given problem (Guimaraes et al., 2006).

Analysis of this issue is not simple, however, and there are many challenges to reaching verifiable and generalizable conclusions. First, the

distinction between specialists and decision makers seems to be ambiguous at the level of both conceptualization and conduct; often, the two roles seem to be embodied by a single person. Second, the extensive literature and available evidence on the links between research and public policies concerns the experience of the industrialized member countries of the Organization for Economic Cooperation and Development (OECD). There is practically none on the developing countries. The reasons for this lie not only in the wide cultural, economic, and political diversity of the different contexts, but also in the basic role that international actors play in both research and political processes (Court and Young, 2004).

In the particular case of Latin America, however, during the past twenty years there has been a proliferation of studies analyzing the role of experts and technocracies in public policies. Most of these studies focus on national cases, and they seek to explain the prominence of these actors in the implementation of structural reforms in the 1990s (Centeno, 1994; Valdés, 1995; Silva, 1996; Conaghan, 1997; Hunneus, 1997; Montecinos, 1997; Camou, 1997; Babb, 2001; Schneider, 1997; Neiburg and Plotkin, 2004). This exploration of the role of expert knowledge in public policies persists today in studies on think tanks, also dubbed knowledge factories. Most of these studies undertake a morphological mapping of the varied array of organizations that have been set up and have reproduced in the fertile ground of the region's new democracies (Thompson, 1994; Uña et al., 2004; Braun et al., 2004).

In light of the open discussion and the gap left by the local literature, this book seeks to deepen empirical knowledge and analysis of the links between research and decision making in a particular field: Latin America's external trade policy. The choice of this policy as a particular area of study is warranted by the importance of international trade negotiations in recent decades as a result of globalization. In the late 1980s and early 1990s, most countries in the region embarked on trade opening. Initially this took the form of unilateral liberalization, but later it swung toward international negotiations for preferential agreements or for deeper regional integration. At present, the new progressive leaders in the region who are critical of neoliberal orthodoxy do not downplay their interest in external economic negotiations. Although the nature and strategy of the talks seem to change, the negotiations remain a priority in efforts to ensure growth with greater equity.

This book begins with a review of the literature on the role of research and academia in the making and implementation of public policies. It continues with a description of the main challenges that the new, postreform context opens to research. It then presents a series of studies that, with different perspectives and levels of analysis (regional, national, and sectoral) reveal how local academia has been participating in Latin American trade policy in recent years.

## 1. THE ROLE OF KNOWLEDGE

The literature identifies at least two models of how knowledge affects decision making. Both are highly consistent with the rationalist and incrementalist approach that has characterized the study of public policies since the field began in the 1950s.<sup>3</sup>

The first model springs from a linear and rational view of the decision-making process, one that sees social researchers and public decision makers as its leading actors with convergent trajectories (Brunner and Sunkel, 1993). While social research provides the knowledge and instruments needed to rationalize and coordinate the decision-making process, the decision makers are responsible for putting it into effect and for tackling the system's complexity. These roles are not interchangeable. Rather, the former provides a basis for the latter, and the superiority of knowledge stems from management of empirical evidence in line with the rules of "scientific" learning. This allows problems to be clarified and helps lessen the uncertainty that is attendant on any decision. For this convergence to take place, however, there are certain prerequisites: the information has to be available and accessible; the research findings have to be rigorously backed up; the results have to reach decision makers in a timely manner and an appropriate format; the recommendations have to be understandable and understood; and above all, the suggestions should not conflict with strong political interests.

The second model is more realistic and is skeptical about the rationality of decision making. It sees the simultaneous presence of the aforementioned assumptions as unrealistic and rare. Quite the contrary, its view is that there is not one but several juxtaposed realms of decision making that regulate themselves through a process of mutual adjustment. The participants in this process are a range of actors who have partial information and different kinds of knowledge (interests, intuitions, previous experiences, and so on). Academics and/or experts comprise only one of these actors, and their knowledge—based on scientific rules such as evidence, verification, and/or measurement—is only "one" kind of knowledge. Hence this approach concludes that technical knowledge is of relative and secondary significance, and that only exceptionally does empirical research have direct, instrumental, and clearly identifiable effects on decision making.

Amid these constraints, social science expertise can have an impact only if it competes or overlaps with local knowledge provided by one of the participating actors. Most often the outcome of this impact is a framework of empirical generalizations and ideas that might be absorbed unwittingly by decision makers.

The differences between the two models persist today, signaling a clear divide between international organizations and national agencies that finance and use social research in developing countries.

One set of interests, grouped around the theory of “bridging research and policy,” points to the need to improve the links and communication between researchers and decision makers (Global Development Network, 2002; Lucas and Cornwall, 2003; Court and Young, 2004). It is by linking these two privileged actors in the process that the quality and effectiveness of public policies are guaranteed. This proposal for intervention brings together at least two assumptions from the rationalist approach: first, that researchers and decision makers are the only actors to be considered in the decision-making process; and second, that decision making can be made more effective and efficient through political and social engineering. At present, this possibility is aided by the rapid development of new information and communications technologies. These, coupled with investments to build international networks, allow local researchers to access the knowledge available in the “global market of ideas” (Rius, 2003).

A second group of institutions and authors centered on the “embedding research and policy” approach criticizes the preceding outlook as elitist and works to build inclusive, multistakeholder and problem-oriented networks (IDRC, 2004; Gibbons, 1994; Rius, 2003). In contrast to academic networks, this approach ensures a greater exchange of outlooks and knowledge, and—as the incrementalist model indicates—it enhances the impact of knowledge on decision making. On the other hand, and in the context of developing countries, these networks help consolidate pluralist and open democracies by allowing the different actors (the “users” of knowledge) to take part in defining public policies, not merely in implementing them.

Despite the differences about how to do it, therefore, both approaches agree on the need to finance empirical research and encourage its use as a means of solving development problems.

## 2. RESEARCH AND PUBLIC POLICIES IN LATIN AMERICA

Most empirical studies of the links between knowledge and decision making reflect the state of the issue in developed countries: the case of the United States is by far the most referenced, followed by studies of the French, British, and Italian systems (Peters and Baker, 1993; M. Smith, 1991; Restier Melleray, 1990; Regonini, 1992; Hall, 1990; Xifra, 2005). There are no specific studies of the issue in Latin America, and the few existing analyses of decision making tend to reach conclusions that are questionable or useless because in general they reproduce, templatelike, conceptual categories from the pluralist democracies (Cabrero Mendoza, 2000).

From being an issue of very limited interest to Latin America governments, the role of academics and research became an object of analysis and questioning in studies on the implementation of the structural reforms of the 1990s.<sup>4</sup> The depth and speed of the changes wrought by those reforms attracted the attention of many analysts and gave rise to a

vast literature. Three hypotheses have sought to explain the significant economic policy shift toward neoliberalism in the region. The first attributes the change to the gravity of the crises inherited by the new governments. The external debt crisis confronted the region's governments with a worn-out development model and simultaneously spurred a widespread public perception that the countries were in a blind alley. Huge social sectors supported the reforms because of the lack of alternatives at a time of crisis (hyperinflation) and/or the collapse of confidence in the postwar development model. In these circumstances, political leaders could take approaches that in normal periods would have been seen as against the interests of the population (see, among others, Stallings, 1992; Keller, 1993; and Grindle, 1991).

The second hypothesis links structural reforms to democracy. In fact, this is less an explanatory hypothesis than a revision of an intellectual debate of the 1980s, one that associated trade liberalization with authoritarian regimes. Authors such as Remmer (1990), Pzersworsky (1991), and Haggard and Web (1994), among others, showed that, contrary to popular belief, democracies could tackle market reforms successfully. Even though the implementation of structural reforms entails costs and losses, support for them was justified on the grounds that democracies guarantee protection of basic, primary values such as private property and individual rights.

Both the crisis argument and democracy argument aided understanding of why there was support for the implementation of the reforms, but they say nothing about the substance of those reforms. The third hypothesis seeks to explain why neoliberal prescriptions were chosen and not others. It centers on the pressure exerted by international financial institutions by means of the conditionalities to which loans and aid were tied. This largely explains why these prescriptions were set out almost identically in the various countries' payment commitments, and why they were implemented simultaneously throughout the region (see, for example, Haggard and Kaufman, 1992; Buira, 2003). This argument about financial pressure, however, is understandable only in light of the countries' urgent financial needs and the lack of credible alternatives.

Only in recent years has a fourth explanation emerged. This focuses on the role of ideas and epistemic communities in the application and continuance of this paradigm. Most of these studies analyze the ideas and networks revolving around trade liberalization (Goldstein, 1994; Fitzgerald and Thorp, 2006; Jordana and Levi Faur, 2006). One sound reason for this is that of all the policies that form part of the structural reforms package, for both the World Bank and the International Monetary Fund (IMF) this issue was the cornerstone of their advice and technical training. Between 1979 and 2001, these institutions financed and produced a total of 283 books or other publications that explicitly highlighted the benefits of opening and the economic and political problems generally faced by governments that apply the reforms (Niño, 2004: 15).

The importance of transnational knowledge networks or epistemic communities at times of crisis is not new in Latin America politics. The most immediate precedent is the influence of the model posited by the economists of the Economic Commission for Latin America (ECLA) in the 1950s and 1960s when, in the face of a global decline in the prices of agricultural exports, they recommended a model of inward-oriented growth. But the impact of the “Washington Consensus” was greater because of the preferential access of its member organizations to global capital and markets, which guaranteed them greater capacity to influence economic outcomes (Gourevitch, 2005).

Of the institutions that make up this policy transfer, the World Bank had and still has preeminence as a transmitter of the doctrine at the global level. There are several reasons for this leadership, including: the bank’s extensive research agenda; its capacity to mediate between developed and developing countries; its apparent independence from the U.S. government; and, most importantly, public recognition of its academic legitimacy and credibility as a “global knowledge institution.” The global legitimacy and credibility that its expertise enjoys stem from the circular linkage between the knowledge that it produces and the audience that legitimates that knowledge, thereby ensuring that it is reproduced (St. Clair, 2006).

Another important group of studies sheds light on the fundamental role of academics and/or intellectuals in effecting structural reforms in various Latin American countries. All these authors agree that economists became key interlocutors of reformist leaders and occupied central posts in national cabinets. Thanks to certain professional qualities, therefore, they became the leading heralds of reform (Montecinos, 1997). Notable among those qualities are the following: they were trained to engage in their activities close to centers of economic and political power, either public or private; they comprised the most cosmopolitan elite in the region; and they were pragmatic in forums for dialogue. In fact, after the crisis of the 1980s, economists of all stripes—conventional and structuralist—agreed on the need for a new economic consensus, either because of the pressure exerted by the rules of the international economy and foreign creditors or because they acknowledged their own past mistakes.

Some authors argue that the decision to include these experts was a response to domestic matters such as the need to curb distributionist demands from interest groups and end clientelist practices. Hence they isolate the reforms from traditional political and electoral management (Bates and Krueger, 1993; Gueddes, 1991). For others, the inclusion of these “technical specialists” was a response to external factors: the reformist leaders wanted to give a positive signal to the developed world in order to restore investor confidence and demonstrate government commitment to the reforms (Schneider, 1997).

### 3. STRUCTURE OF THE BOOK AND AUTHOR CONTRIBUTIONS

#### 3.1. Conceptual Framework

This book brings together a series of studies presented and discussed in the “International Forum on the Social Science-Policy Nexus,” organized by UNESCO in Buenos Aires in February 2006.<sup>5</sup> Before going fully into the substance of each chapter, we should clarify some conceptual and methodological definitions that guided the preparation of the studies and that also link them together as an integrated whole. The first definition concerns the term *academia*. Throughout the book, the terms *academia*, *researchers*, *experts*, and *technical specialists* are used interchangeably to refer to the actor whose power to have an impact is under analysis. Although they are not the same thing from an epistemological viewpoint, it is true that academia in the traditional, university sense has ceased to be the only field of activity for researchers, and that today a wider range of institutions are competing in the market of ideas. Currently, academics undertake a broad array of activities defined as “symbolic-analytical services” related to identifying, solving, and mediating material problems by manipulating knowledge (Reich, 1992).

The second definition concerns the kind of decisions that knowledge can affect by lessening (as mentioned earlier) degrees of uncertainty. For this we use a typology that distinguishes between shifts in paradigms, strategies, or circumstances (Hall, 1990; Sabateir and Jenkins-Smith, 1993). As regards the first of these, not only the means but also the purposes of public policies are reviewed and modified. In the postreform context, for example, a similar kind of decision would entail questioning the opening. As regards strategy decisions, the changes are confined to policy instruments, and the basic goals remain the same. To return to the issue of trade policy, this kind of change would find expression, for example, in the option of negotiating with the United States to create a free-trade area or deepening integration with Brazil through Mercosur. Finally, situational decisions consist of incremental adjustments in the use of some policy instruments, while the entire set of instruments remains unchanged. An example is the technical decision to have a uniform tariff level. The experiences analyzed in this book show that, in the postreform context, changes were confined to the second and third types, the same as with the academic output that accompanied them.

The third definition is methodological and concerns how to measure impact. It is widely known that impact is hard to capture. The challenge is even greater in the field of ideas or knowledge because their effects may become evident over the long term and indirectly. There are two ways of approaching the matter: the *ex-ante* approach and the *ex-post* approach (Davies, Nutley, and Walter, 2005). The former seeks to identify the

academic output produced on a particular issue and assess its impact by means of public-policy decisions and guidelines. The second seeks to identify a change in policy and assess the impact of knowledge and academics, as distinct from the participation of other actors. These methodologies pose problems of attribution,<sup>6</sup> and thus the chapters include elements of both analytical approaches.

The fourth and final definition concerns the book's aims and the consensus among its authors on the importance (apart from contributing to greater knowledge of the issue) of providing tools to improve the production and use of research in public decisions. To that end, all the chapters include recommendations or possible courses of future action for each particular experience. Some are short-term initiatives that require few resources and little political will. Others are longer-term and call for a greater investment of resources and political will.

### 3.2. Context of the Analysis

With the consequences of the structural reforms as backdrop, we will analyze the postreform period. As this section shows, external trade policy has peculiarities that foster the production and use of research in decision making. The trade opening undertaken by most Latin American countries in the late 1980s basically consisted of lowering tariffs on exports and imports, and eliminating domestic promotion measures (subsidies, quotas, and so on). By doing that the governments hoped to improve their exports' access to new markets, attract direct investment, and consolidate state reform (the "lock-in" effect).

To carry out the reform, they adopted two strategies: unilateral opening, whereby on their own initiative the governments determined the levels and calendar for tariff reduction; and opening by means of preferential agreements, whereby the scope of reform was the outcome of an exchange of concessions between the countries taking part in the negotiations. There is a correlation in time between the two strategies: before the establishment of the World Trade Organization (WTO), the opening was mainly unilateral; after 1994, and following the entry into force of the North American Free Trade Agreement (NAFTA), the "domino effect" spurred a negotiating race that all countries joined, for fear of being excluded and having to pay the costs of discrimination.

In general terms, external trade policy has some peculiarities that distinguish it from other public policies of national scope. On the one hand it involves processes and actors from different spheres, national and international, to mention some peculiarities with two very different models of collective action that interact constantly.<sup>7</sup> On the other, trade policy has a strong distributive element that is comparable only to that of fiscal policies. When the economy is opened and protection is eliminated as a result of the commitment to reach a zero tariff and deregulate, the tension between

general and individual interests resurfaces to demand more detailed definitions by the state: it is no longer only a matter of opening new markets, but of defining the model of integration.

International negotiations add new challenges to these peculiarities of trade policy. The first challenge concerns the greater liberalization commitments that the governments assume in the WTO. Although trade negotiations are not new for most Latin American countries,<sup>8</sup> the kind of negotiations that began in the 1990s sought to establish free-trade areas. In the process of creating these areas, the governments pledged to eliminate tariffs on all goods traded between the countries involved, thereby giving rise to a distributive struggle in which gains for one sector (agriculture, for example) became losses for others (such as manufacturing). An added difficulty is that the trade-off between the two sectors is more apparent in negotiations than in unilateral opening. This struggle between internal forces can lead to a deadlock in decision making, whereby the status quo predominates because of sheer inertia. The main challenge for governments, therefore, stems from their capacity to break this immobility and devise negotiating and integration strategies that bring benefits to their broader societies rather than simply to particular interests.

A second problem springs from the expansion (in number and type) of negotiating agendas. Until the Uruguay Round, trade negotiations were confined to the issues of goods trade and tariff deregulation. These days, by contrast, the agendas include nontariff matters that take primacy over national regulations in order to adapt the latter to WTO norms. For most developing countries, the inclusion of these regulatory issues brings with it an obligation to make very significant sacrifices in the area of sovereignty. The challenge is to assess the opportunity costs imposed by these standards for society as a whole. To that end, the governments need information about and knowledge not only of the national economy and regulations, but also of the country with which they are negotiating.

The third challenge arises from the multiplicity and simultaneity of the negotiations on which the governments have embarked. In the prereform period, international trade negotiations were a minor issue on the agendas of most Latin American governments, and most of them were between countries of equal development levels. In the event of asymmetrical negotiations, governments had recourse to the principle of special and differentiated treatment, which sought to compensate for differences in negotiating capacity between developing and developed countries. In the postreform period, by contrast, there is a marathon of negotiations at different levels (multilateral, regional, bilateral) among which the most attractive—in terms of market access and investment—are the asymmetrical ones; but in these there is no special and differentiated treatment. This complexity obliges the governments of the developing countries to improve their negotiating capacity by professionalizing their negotiators and producing appropriate knowledge in the public and private sectors.

A fourth challenge in the postreform period is the growing demand for participation in government activities, and for transparency in those activities. Before the 1990s, trade negotiations involved only a small number of public and private actors with a direct interest in market opening. Today, the complexity and greater number of issues on the negotiating table arouse the interest of new actors and ensure a more open debate. This expansion springs from international and local pressures to make government decisions public and transparent (Botto, 2003). These management standards, spurred by the ideal of good governance and the reevaluation of democracy as a process, cause the actors involved in trade negotiations to take ownership of them and to strive to use them as a means of protecting their interests. Faced by these powerful demands, the governments are obliged to make the debate clearer and to justify their actions by means of information and credible studies.

The idea of the present book emerged from this mapping of the issues, which is by no means exhaustive but which does indicate the importance acquired by the production and use of social research in these fields.

### **3.3. Cases Contributions**

The studies in this book have been grouped into three types of experiences that seek to capture the research–trade policy nexus from different perspectives. The regional studies and comparative experiences consider the common features of the production and use of knowledge in Latin America and its contribution to regional integration processes. The national experiences, on the other hand, examine the specific technical and cognitive requirements of each country and the capacities that are either available or have to be gained in order to meet those requirements. Finally, the book analyzes sectoral experiences and explores the extent to which the production and use of knowledge is changing in line with the subject matter of the negotiations.

#### *Comparative and Regional Experiences*

The book begins with a study by Diana Tussie, assisted by Pablo Heidrich. They take a political economy approach to analyzing the opportunities that the new context offers for the emergence and establishment of a new epistemic community in the region. The distinctive feature of the recent period stems, on the one hand, from an electorate that is tired of so much orthodoxy, demanding higher growth and distribution and, above all, citizen participation. On the other, it springs from pressure exerted by alliances of export interests to continue and deepen the opening. The new progressive governments respond to this tension between societies and markets with pragmatic policies that cannot be seen as a black-and-white matter of right versus left or the state versus the market. The authors argue that this

national and regional context offers an opportunity for social research—especially research based on national needs—to act as a focal point in mediating between these interests, and in creating mental maps that are shared among the community. Their empirical analysis draws on three case studies. The first two examine the links between knowledge and trade in two areas of regional commerce: physical infrastructure and energy integration. The third concerns the role of the WTO's technical assistance.

In the light of her experience as a technical adviser in Mercosur's Technical Secretariat, Deisy Ventura analyzes the links between learning, technical knowledge, and decision-making in the region. She argues that, at the moment, the research that is commissioned and used does not help deepen integration; on the contrary, it weakens it. Several factors contribute to this circumstance: the false conflict between research and decisions, whereby the technical specialist produces and the politician decides; the weak institutionalization of the integration process; the difficulty of coordinating technical work among Mercosur's different areas; the scarcity of knowledge on some issues; and lack of access to public and affordable information. Consequently, the research produced ends up serving the interests of the diplomatic groups and private actors that seek to nationalize the debate and/or demand protectionist measures to safeguard their sectoral interests. To counter the status quo, the author recommends strengthening research that ensures Mercosur is on the agenda of state authorities and in the portfolios of the member governments, and that helps the gradual establishment of a grassroots political movement.

From a comparative policy perspective, Mercedes Botto examines the role of think tanks in the Southern Cone that seek to have an impact on public policy. She explores the extent to which countries that have opted for different models of integration and opening, such as Argentina, Brazil, and Chile, use social research for decision-making purposes. The chapter centers on three main questions: What kind of studies are produced and how are they funded? How are the findings conveyed to decision makers? And to what extent are the findings used? The research is based mainly on surveys of eighty academics and officials in three countries. The conclusion points to a strong similarity among the three cases, which follow a traditional pattern inasmuch as the production and use of research remains in the hands of governments. Nonetheless, she points out some novel common features: the increasing trend to hire consultants; a high rotation of academics into public administration (and vice versa); and the use of research as a mechanism to mediate among domestic sectoral interests.

### *National Experiences*

The book continues with a selection of national cases that describe the issues that have emerged in two different geographic areas with distinct models of integration: Mexico and NAFTA, and Uruguay in Mercosur.

From an international relations perspective, Blanca Torres characterizes the Mexican case as the most abrupt opening in Latin America. On the basis of information received from twenty-four researchers and decision makers, the author shows how the role of research has changed over time as the opening has deepened. While in NAFTA the contribution of economists was to justify its entry into force, today the role of academia is more analytical and critical with regard to new agreements. As regards impact, the author concludes that although academia remains a secondary actor relative to business lobbies, its growing presence helps improve national governance by making the decision-making process more transparent and participatory.

Cristina Zurbriggen examines the Uruguayan case from a public administration perspective. The chapter begins with a description of the political and technical difficulties that globalization and regionalization pose for the government of a small country like Uruguay. On the one hand, as a smaller partner, Uruguay does not have political leadership in the regional bloc. On the other, as a relatively undiversified economy, its prospects of securing market access and attracting investment are limited (today they are confined to the negotiations with the United States). The outcome is readily apparent: because its trade policy lacks a medium-term strategic vision, decisions are taken implicitly and on the basis of personal considerations (those of the officials in office at the time and/or representatives of the strongest lobbies), rather than on the basis of general interests. To counter these circumstances, the author proposes strengthening the state's policy-making and technical capacity by coordinating the resources available in the various public agencies, professionalizing the participation of and linkages with the private sector, investing in staff training, and giving primacy to technical knowledge in public administration careers.

### *Sectoral Experiences*

Unlike the other chapters, the two cases discussed in this section analyze specific episodes in the negotiations that have arisen recently (Tussie, forthcoming).

The first of these centers on the use of local and international academic research in the negotiations on tariff issues. Its authors, Mercedes Botto and Cintia Quiliconi, analyze the process of defining Mercosur's common external tariff (CET). Once the countries had decided in the Asunción Treaty (1991) to create a customs union, it was to be expected that the research produced would be basically technical and confined to context-specific decisions such as the kind of protection and tariff level to apply to extra-subregional trade. In Argentina, however, the debate spurred an abundant literature on strategic questions, such as the advisability of pursuing negotiations with the United States to establish a free-trade area, or of forging closer links with Brazil in a common market. While more than

sixty studies were produced in Argentina, in Brazil there were fewer than ten. Analysis of the substance and impact of these publications highlights the important role that academia and social research played in this case, as local-level mediators between the contending interests in both the public and private sectors.

The second sectoral experience centers on services negotiations in the fields of health and education. Juliana Peixoto Batista and Mercedes Botto explore the role of academia in defining the negotiating positions that the Argentine government adopted in different fora between 1997 and 2004. They thereby shift the perspective on the production and use of research: while the other chapters examine its impact on tariff issues, this one focuses on regulatory matters. In areas like these, there was very limited academic input to the negotiations (analysis of regulatory frameworks, impact studies, examination of empirical data). Nonetheless, such input did exert significant pressure that helped shape the defensive posture that the government adopted in each of the fora. The authors conclude that this position was short-term and markedly ideologized. The balance of preferences came to sustain a functional status quo among particular interests, to the detriment of the general interest.

### **3.4. A Future Research Agenda**

Comparison of the various cases analyzed in this book provides a basis for outlining a common pattern of links between knowledge and decision making in the region. This pattern emerges from the proliferation of studies and the participation of an increasing number of actors in the production, communication, and use of research. In the past the production of knowledge was the sole preserve of governments, given their monopoly of information and financing. Today, sectoral research centers and think tanks more often produce research and convey their findings to national officials and negotiators. This process of expanding knowledge and its consequent democratization has been abetted by the availability of international financing, the creation of international networks, and easier access to information. Nonetheless, this is an incipient and markedly asymmetrical opening in which access to these resources is very unevenly shared among the actors and sectors that seek to affect the process.

The chapters in this book also recall continuity with the past. While the number of actors involved in producing and communicating knowledge has increased, governments continue to define the research agenda in line with the interests of those sectors that traditionally have dominated foreign policy. In this respect, the ongoing international negotiations seek to secure access to agricultural markets, and most of the research that governments produce or commission tries to address urgent needs that come to the fore as the negotiations advance. By contrast, there are virtually no studies on medium- and long-term negotiating scenarios, or impact assessments that

indicate the costs and benefits of the negotiations in nontrade areas such as labor, education, and so on.

The same is true of studies produced by business sectors or those financed by international organizations. The great majority are economic impact studies that use the same analytical methodology and technical language as the negotiators. For these groups, knowledge is another lobbying instrument that can be used to uphold their offensive or defensive interests in the negotiations. Unlike traditional lobbying mechanisms, however, the management of information legitimates their positions relative to other nongovernmental actors—unions, nongovernmental organizations (NGOs), small and medium-size enterprises (SMEs)—that take part in the negotiations with the government but that, unlike the traditional sectors, lack empirical data to support policies that are in line with their interests and outlooks.

The proliferation of trade negotiations in the 1990s had contradictory effects on the decision-making process. On the one hand, the expansion of the talks brought a growing number of actors into the discussion; but simultaneously it fostered an elitist type of integration in which a small group of interests or businesses benefited from the negotiations to the detriment of the majority. Today, by contrast, the context is marked by a global and national debate in which “good procedures” are not the only thing that matters, but also “good causes.” The former include the privileged position that the literature and public opinion accords to the institutional reforms and the urgent need for greater social control over (and transparency in) the public realm. The latter include a growing debate about the impact of trade liberalization on poverty and inequity, which is conducive to a discussion of how to ensure not only economic growth but also greater and more equitable distribution (Rius and Vigorito, 2001; Espino and Azar, 2004; Giordano, 2007; Ventura-Dias, 2006).

This new agenda is apparent on all levels—global, regional, and national. These levels are intertwined and they nourish each other, but they have their own peculiarities. At the global and regional levels, the concern of the 1990s for economic growth and trade liberalization now gives ground, as mentioned, to good causes and global goods (individual human and social rights, climate change, access to knowledge and learning). At the national level, the concern with improving market competition entails the need to ensure growth with fair distribution, especially the development of SMEs.

It is not only the public agenda that has changed, but also the collective actions of the different actors at play. In the 1990s, the scenario was marked by the exaltation of the markets and civil society, which became substitutes for the state (PNUD, 2004; CEPAL, 2004). Now, Latin America seems to be witnessing the reappearance of more-inclusive fora of political activity, fora that act as a needed counterweight to the state in building a development model that is less subordinate to globalization.

Although it is too early to make recommendations, the preliminary analysis of the studies in this book offers some interesting suggestions to induce

decision makers, researchers, and donors to encourage the production of knowledge based on local needs and on the management of information on these issues. As mentioned at the outset, we are aware that very often these roles could overlap in a single individual.

- As regards *decision makers*, the evidence prompts the assertion that the negotiators and public officials working on external trade policy are more open to new ideas than are officials in other areas of domestic policy. While the latter base their decisions on simpler narratives that adhere to previous experiences, international negotiators are more sensitive to innovation and to changes in scenarios, most of them proposed from outside. Nonetheless, they prefer research that they commission themselves or that is produced in their own environments. They are wary and somewhat mistrustful of research findings from groups with direct interests in the negotiations, or from academics who propose substantial changes in the way they act. This endogenous thinking, however, contains some contradictions, such as the tendency to lose sight of the indirect impact of the negotiations and to trim their demands to short-term emergencies. There is also a contrary attitude on the part of other ministries, such as those responsible for education, labor, health, and so forth. These have been included in the negotiations only recently, and their officials maintain maximalist positions that disregard the political and theoretical constraints of international negotiations. In both cases there is a need for knowledge that enhances coordination in state bureaucracies, and that helps increase their capacity to commission and interpret research findings, as well as to put them into practice.
- With respect to *researchers*, the lessons learned from the national cases indicate that three aspects of knowledge production are important if knowledge is to influence decision making, albeit not immediately. The first is the quality of the information used, which should reflect and interpret, in the most credible way possible, links of causality that are not immediately clear in reality. This difficulty explains the success of econometric analyses in quantifying the trade impacts of the negotiations. The second matter concerns the way in which knowledge is communicated: if the research findings are to reach the ears of decision-makers, they have to be expressed in an accessible and direct language, make practical proposals on immediate needs, and, above all, be adapted to the short time available and the negotiating timetable. Finally, a researcher's personal reliability and academic credibility are also crucial. The evidence presented in this book shows that a very small circle of researchers have links to decision makers. In general these researchers have experience in public administration and strong international links, and they are part of academic networks. In these kinds of public policies, isolated academic milestones

(such as a book or methodological innovation) matter less than a long career path and vertical linkages.

- *Donors* are, without question, key actors in breaking the vicious circle linking the immediate needs of the negotiators and the financial dependence of researchers with consultancy studies. The chapters in this book speak of the production of local knowledge that is geared to the negotiators' immediate needs (in which analysis is confined to considering scenarios for and the economic impact of the ongoing negotiations) when the main demand of those needs is the implementation of trade-opening policies. What is required, by contrast, is an expansion of horizons and research topics in order to generate empirical knowledge of the links between trade and other aspects of sustainable development, such as labor, gender, SMEs, education, and health. The number of people who use this knowledge must grow, so that the findings not only help negotiators to define their negotiating strategy but also serve to train the various social and economic actors hereto excluded from the policy-making process and its outcomes. What is needed, finally, is to foster alliances that link local and regional organizations in order to give them voice, and help them influence the way in which agendas are designed.

## NOTES

1. The author is grateful for the comments of Juan Carlos Torre and Ricardo Carciofi, and for the generous assistance of Daniela Perrotta.
2. Known as "knowledge utilization," this branch directly addresses matters such as individualizing the conditions that help or hinder acceptance of analyses provided by technical specialists, the deontological criteria with which the specialists must comply when they are asked to assess policies whose goals they do not share, and the possible right or obligation to uphold solutions that are technically better than the preferences of public opinion (Regonini, 1992: 496).
3. The rationalist view takes us back to authors such as Lasswell and Kaplan (1950), who defined public policies as a planned program of values, ends, and practices in which good planning necessarily entails good implementation and a good outcome. In the incrementalist view, public policy is only an approximation of a desired goal, which is the same one put under constant consideration and in which each stage assumes an adjustment of ends and a reciprocal negotiation and accommodation (Lindblom, 1959).
4. These reforms involve not only a change to the development model—from one centered on protection of the domestic market to one based on free trade—but also a profound transformation in the procedures used to devise and apply public policies. In effect, time speeded up, legislative processes were omitted, and public and private actors—which traditionally had lobbied heavily—gave ground to new actors (see, for example, Torre, 1998; Botto; 1999).
5. Apart from the fact that the meeting served as a forum for the exchange of ideas among Latin American specialists on the impact of academic research on trade policy decision making, it has been part of the work plan of

- FLASCO's International Economic Institutions Program (IEIP) since 2004. In this workshop, the IEIP presented the initial findings of its research on Mercosur and defined with the other researchers the terms of reference for future research. In view of the quality of the studies and the novelty of the issue, the IEIP later coordinated the publication of this book, in collaboration with Canada's International Development Research Centre (IDRC), the IDB's Institute for the Integration of Latin America and the Caribbean (INTAL), and Argentina's Secretariat for Science and Technology.
6. As regards looking forward, from research to its consequences, questions of particular importance are what to look at and where to look, and on the basis of what time period. As regards looking back, from the decisions to the influence, the problem arises of how to separate the impacts of many influences and participants on the decision.
  7. The first person to identify this reciprocal influence was Putnam (1988) with his "two-level" game: on the national level are actors and institutions that sit at the domestic negotiating table according to national rules, uses, and customs; international negotiation is advanced among governments at the negotiating table, with the participation of international networks and organizations, working in line with international law and the rules of the WTO.
  8. In the 1960s and 1970s, there were negotiations among various countries of the region to reach preferential agreements in the LAIA framework.

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# 1 The Research Challenge in the Context of Permanent Negotiations<sup>1</sup>

*Diana Tussie with Pablo Heidrich*

Like everyone else, I have only three means of assessing human existence: studying myself; observing others, who almost always manage to hide their secrets from us and make us believe that they have them; and books, with the particular errors of perspective that emerge between the lines. On the other hand, life clarified the books for me later.

—Marguerite Yourcenar, *Memoirs of Hadrian*

Intellectuals' time does not coincide with political time, and there will always be debate about which should be adjusted to which.

—Oscar Terán, *Intellectuals and Politics in Argentina*

Knowledge, learning, and research are always intrinsic components of the policy-making process. When, what, how, and to what extent are matters that are widely discussed, as evidenced by the epigraphs at the start of this chapter. Nonetheless, these exercises in self-reflection have not been extended to the more technocratic and polemical fields, such as trade policy and negotiations. The debate on trade policy, an inherently distributive policy, has paid little attention to the struggle of ideas or the role played by research and the systems used to disseminate it. How research is used, produced, and viewed by public policy in developing countries, and the specific nature of the trade policy field, are matters that have not been subject to close scrutiny, despite the extent to which thinking has shifted as times have changed. It is as if this kind of knowledge is deemed to be absolved of the duty to examine and question itself, or to justify the validity of its explicit or implicit assumptions.

Consistent with the rest of the book, the present chapter seeks to contribute to the discussion by advancing some thoughts on the various contextual factors that play a key role in defining a trade policy problem, one whose resolution is often subject to influence, for the specific case of Latin America since the reforms of the 1990s and their aftermath. In different ways, all the countries of the region have since sought to diversify markets

and have taken various steps to conclude more bilateral and regional trade agreements, as well as accords with other parts of a geographically mobile world. The world is set to be one of permanent negotiations. Taking the experience of Latin American countries at the start of the twenty-first century as a point of reference, one can discern the development of a trade policy that seeks a better distribution of global income. The debate is no longer framed in terms of right versus left or statism versus the market. When there is widespread disillusion with the poor results of the 1990s, elected governments seem resolved to maintain the same course in trade policy, a course that emerged after their economies were devastated by the cycles of boom and subsequent financial breakdown that succeeded each other like a trail of gunpowder from the Mexican crisis of 1995 to the Uruguayan crisis of 2002. Currently, the debate seems to be framed in terms of securing a new balance between growth and distribution, of the necessary and inevitable power sharing between the state and the market, both of them mutually dependent on each other and neither of them conceivable without the other.

Given the social discredit suffered by orthodox policies, Latin American public opinion has evinced less fascination with the free play of market forces and is mobilizing in various ways in favor of more state intervention. The electorate is plainly displaying a greater tendency to mobilize, and is simultaneously expressing a deep weariness with the reforms of the 1990s. For more than a decade, those reforms received a blank check for pro-opening and pro-market policies promising benefits that would be widely distributed. Too often the outcome was high rates of unemployment, stagnation, and rising inequality. The gap between the rhetoric and the much more gloomy reality has proved to be fertile ground for discontent, mobilization, and electoral reactions against pro-market orthodoxy. What are the challenges for academic research in this volatile context of permanent negotiations?

Part of our discussion is fueled by the results of the evaluation of the program of technical assistance that the World Trade Organization (WTO) provides to developing countries.<sup>2</sup> We will use that assistance as a case study. At the same time, the debate that prompted these reflections, as well as previously published studies and those presented in this volume, have provided additional inputs to this chapter. The aim is to make a contribution, from the sidelines, to two fields of thought: on the one hand, to engage with the incipient but fast-growing body of work on the link between policy making and the production of research (which is part of a much broader debate on the role of ideas), and to extend it to trade issues; and on the other hand, to engage with those studies that focus on the reasons for, causes of, and context of the increasingly intense trade negotiations in which the countries of the region are involved, and with the demand for analytical capacity attendant on that process.

The chapter is divided into four sections following this introduction. The first outlines the shift that has taken place from trade opening to the

current setting of permanent trade negotiations. The second briefly analyzes the debates about the role of ideas and research in the economic sphere. The third examines how technical assistance can be used to build a set of ideas. Before the conclusions, the fourth section discusses the research challenges in a context of permanent negotiations. The purpose of these sections is to analyze the place of ideas in the economic field, specifically as regards a contingent issue such as trade negotiations. To these ends the final sections use current examples to illustrate conditions in the countries of the region.

## 1. FROM TRADE OPENING TO THE CURRENT SITUATION OF PERMANENT NEGOTIATIONS

In developing countries, import substitution policies regulated and restricted trade flows during the greater part of the twentieth century. It is widely known that from the perspective of liberalism and neoliberalism, the omnipresence of closed economies throughout history was an aberration that hampered proper resource allocation. Protection was explained by the power of sectoral interests that operated under the cover of import substitution and that had extensive political resources to ensure colonization of significant parts of the state.

In that regard we can recall the notion, one that was broadly accepted in the late 1970s, that authoritarian regimes, especially the military dictatorships of the Southern Cone, were more able to embark on opening because they used terror and repression to eradicate resistance. Experience, however, showed that the political explanation (democracy versus dictatorship) seems to refer to context-specific conditions that enclosed and shaped government elites, and that demanded responses in the form of different policies—policies consistent with the challenges and pressures in which they are subsumed and in line with the prevailing culture. The preference for protectionist or liberal policies, in both democratic governments and authoritarian regimes, was a function of circumstances, and the aim was to manage the distributive struggles that emerged from the kind of external insertion chosen.

The revolution in trade policy during the 1990s, which drew one country after another toward unrestricted opening, spurred a new series of explanations that focused on the recurrent and ever more serious economic crises experienced by the countries of the region (Torre, 1998; Drazen and Grilli, 1993; Keeler, 1993; Bruno, 1993). The crises certainly produced a powerful incentive to reform: they opened up a window of opportunity for dormant interests and gave rise to trade reforms. Another spate of studies focused on analyzing the influence of the international financial institutions, such as the World Bank and the International Monetary Fund. The terms under which the rescue loans were guaranteed were not simply financial: in many cases the changes in trade policy came in response to the

financial conditionalities in extensive loans for structural adjustment or more targeted loans for trade policies. Such studies tended to seek explanations in indebtedness, and especially in World Bank adjustment loans (Kahler, 1992; Botzman and Tussie, 1992; Drazen, 2002).

There were some gaps in the explanations for the reforms, whether based on the crises of the 1980s or the conditionality to which they gave rise. First, for a crisis to trigger a particular reform, there has to have been a structured political option, one that was ready to grasp the opportunity and drive the process in the desired direction. Absent such a political force, the crisis can explain only the change, not the choice and adoption of a particular policy. Why did the crises of the 1980s lead to opening while earlier crises did not, and those of the 1990s produced an array of responses, both for and against opening? Similarly, as regards the role of financial conditionality, why was (urgent) stabilization in the 1980s accompanied by opening while the same combination did not emerge under earlier circumstances of conditionality? Moreover, the knowledge offered by the classical and neoclassical theory underlying the doctrine of conditionality was far from maintaining that such a combination was necessary or even feasible. Quite the contrary, it was generally known that unless it were properly timed, opening posed the danger of undermining stabilization by causing currency depreciation. Alternatively, stabilization undermines opening because of the overvaluation of the exchange rate, stimulating imports, and hampering exports (Papageorgiou et al., 1991).

If the trade opening attendant on stabilization programs had not been based on the available knowledge, it must be assumed that in their time the crises (and the accompanying conditionality) were seen as a window of opportunity for latent interests: a pragmatic expedient to promote ideas and interests that had been waiting to appear on the public agenda and take part in devising policies.

The result of the crises of the 1990s, the so-called crises of globalization, is that this agenda of unilateral opening has been replaced by more moderate and pragmatic strategies featuring demands for guarantees in return—in short, reciprocity in access to external markets. Thus began the stage of permanent negotiations to conclude market access agreements in the form of free-trade areas, customs unions, or simple fixed-preference accords.

In this context of permanent negotiations, new questions arise about the acquisition of technical capacities and the ability of the state administration to tackle the negotiating agenda. The effort to build capacity is closely linked to the current demands and complexities of trade negotiations, which are remote from strategic calculations and must be addressed not only with greater mental openness but also with staff that have a range of technical skills. The effort is also consistent with the need to imagine possible scenarios and make sense of them, and to avoid becoming trapped in analysis of *what must inevitably happen*, as if it were impossible to bring about change or progress. Many studies (Laird and Messerlin, 1990;

Rodrik, 1995; Jordana and Ramió, 2002; Niño, 2004) argue that effective decision making depends on how institutions locate and distribute responsibilities, such that they can insulate the economic technocracy from immediate pressures and thereby foster a long-range vision of the advisability of the available alternatives—in terms both of one negotiating front versus another and of the acceptability of an offer (or concession) in a particular forum. Institutions, ideas, the participation of experts, and the influence that legitimate political decision makers can exert—these seem to be the elements of the “virtuous circle” required to reconcile the field of ideas with the field of policies.

Which ideas and which policies in particular? Autarkic models that are closed to international trade have been abandoned, and now there is broad acceptance of lower levels of protection for national markets than in the past. But there is still a dispute about the level of protection that allows significant growth, job-creation, and improvements in economic efficiency. Institutions may not have the proper structure to operate in a context of uncertainty, where a lack of clear knowledge about the effects of proliferating negotiations can lead to a multiplicity of decisions.

There is no doubt about the significant change in the intellectual landscape from which emerged a new consensus on opening as the starting point for new development strategies. With the preaching of a new paradigm, government elites have not only accepted the initial opening but are increasingly willing to deepen it through trade negotiations. In this context of multiple negotiations, export interests in every country have gained fresh and flourishing influence relative to the once more powerful producers who are tied to the domestic market, those who previously had enjoyed the benefits of import substitution. Today, the alliance of export interests leads trade negotiations whenever there is a chance or hope of gaining access to international markets. When a negotiating partner offers access to its market, exporters see a clear sectoral benefit. That mobilizes a powerful interest group that will push for the state apparatus to be deployed in favor of the negotiations. The cost, in the form of a “reciprocal concession” for the access granted to the export alliance, will be borne by another sector or industry—the one that the country decides to open to international competition. Aware of the attraction of the potential gains, and naturally moved by economic logic, exporting interest groups organize themselves, link their interests to the export market, and exert pressure to ensure that their sectoral preferences are acceptable and made viable in the trade negotiations.

Today, business interests not only are organized sectorally through their national chambers of commerce, but have also forged links through transnational networks to monitor the negotiations (see Chapter 3, comparing Chile, Argentina, and Brazil). Since the Third FTAA Ministerial Meeting in Belo Horizonte, for example, businesspeople have formalized their transnational activities in the Business Network for Hemispheric Integration (BNHI) with a view to closing ranks among the region’s businesses

and creating bonds of trust. Thus the national actors themselves sought to convince their governments, which were resisting the FTAA, of the benefits of opening. On that occasion the BNHI demanded that the governments allow it to play a greater role in the FTAA decision making and negotiations as observers in the ministerial meetings and the working groups. Similarly, in each subregion, business interests organized themselves for the negotiations with the European Union (EU). They seek not only to influence the decisions of their respective governments, as well as to build trust and foster coordination within their own sector, but also to influence public opinion in general (Botto and Tussie, 2003).

Obviously, nobody can doubt the influence and strength that these actors have gained, but it is also true that their interests require mediating networks. The creation of a common framework of economic ideas with policy makers is clearly essential if those ideas are to be sustained in practice. This approach offers a broad array of opportunities to affect the trade-negotiating agenda, such that it does not solely respond to short-term gains for the factors of economic power. In this respect there is fertile ground to explore the impact that these ideas can have—especially their strength and legitimacy—in shaping behavior and policy.

There is practically no economic policy in Latin America today that does not define itself as pragmatic.<sup>3</sup> Used well or poorly, on the one hand, this broad definition entails staying the course of pro-market reforms; and on the other hand it entails moving the rudder a few degrees to “listen to demands” and take steps to achieve greater social cohesion. The agenda features the economic and social demands of growth and redistribution, as well as demands for citizen participation. An example of this pragmatism is the inclination of Uruguay’s government, which emerged from the left-wing Frente Amplio coalition, to consider negotiating a free-trade agreement (FTA) with the United States despite the two governments’ ideological differences, the marked degree of anti-American feeling among its own electoral base, and the closer affinities with its political partners in Mercosur. While the United States remains the main guarantor of investment or the most dynamic market for exports, agreements with Washington cannot be excluded from or diluted in the agenda of any Latin American country. In practice, the search is for creative formulas that allow government leaders a freer hand than with a merely ideological approach.

Acknowledgment of the errors that hamper understanding of many public-policy processes has led some academics to focus on rediscovering the importance of ideas, beliefs, and research in making and sustaining policies. In this context, research (especially research rooted in national demands) can serve as a focal point for members of a community to share symbolic maps and beliefs regarding the characteristics of the milieu and the consequences of policies. Thus the explanations of decision making in a context of uncertainty require, in addition to shared interests and institutional factors, cognitive elements, mental maps to tackle uncertainty,

to arrange the possible visions of reality in proper order, to assess consequences, and to share perspectives on action to be taken. The cognitive elements make it possible to build an intersubjective consensus among the actors, one that constructs or reconstructs their identities and interests. Shared knowledge shapes the actors and their interests, a circumstance that also alters their behavior. But how should the link between research and policy making be examined? Before answering that question, a few points should be clarified.

## 2. HOW DO IDEAS AND RESEARCH PLAY OUT IN THE ECONOMIC FIELD?

Development policy has always been subject to fads and fashions.

—Rodrik (2004)

In economic matters, the adoption of ideas has certain specific qualities. Hall (1989) suggests that a new system of economic ideas will materialize in a society when there is a clear need for them, as well as a political outlook that is consistent with that need.

Summarizing the empirical and theoretical literature on the role and power of ideas, and making reference to the European and U.S. experiences, Gourevitch (2006) offers three explanatory factors that act with differing degrees of intensity as drivers of change:

- First, the influence of “epistemic communities” or intellectual elites within a particular discipline—in this case, economics.
- Second, the impact and scope of external pressures on the part of the international community.
- Third, the role of domestic political actors, especially those who have the ear of decision makers.

In contrast to how new economic notions spread in industrialized countries, in developing countries international pressures should be regarded as an active factor in building ideas and models, rather than as a mere condition or circumstance. Education and economic training in select universities is a crucial transmission mechanism in the creation of thought communities. Moreover, the abundance of information emanating from international organizations, as well as being a window of opportunity offered by conditionality, facilitates the creation of broad and active networks for cooptation. In the context of this paradigm shift, a series of studies have stressed the power and influence of multilateral institutions as knowledge factories and “auxiliary intelligence services” for governments, and as producers of thought communities (Corbalán, 2002; Boas and McNeill, 2004).

External political and economic interests are present in the world of ideas by omission or commission: the availability of a set of ideas featuring recommendations does not in itself bring about a change in policy. While institutions can produce stable and predictable patterns of behavior, ideas can influence policy outcomes only under certain circumstances. This has led to ideas being viewed as “hooks” that are used selectively by political actors to pursue their interests (Shepsle, 1985; Jacobsen, 1995). Often there is more than one way to resolve a problem, and that is when related research helps frame the debate and focus attention on possible policy options underpinned by evidence and convincing argument.

The sociology of revealed policy preferences suggests that whoever supports or opposes a particular policy and the resources it commands will condition change. Hence class or sectoral interests have a greater or lesser impact at different moments in time. In short, the third driver of change—national policy and the configuration of interests reflected by it—is the dominant factor. To understand this dimension, attention must be paid to the distribution of institutional power and its relationship to the construction of communities of beliefs and knowledge production, the so-called epistemic communities. Unlike other transnational networks, such as trade unions or professional and business associations, these communities are linked by an issue and a set of analytical methodologies that apply to the development of their subject matter. Because of this joint development, they can strengthen their own position and technical resources at the national level. The question that arises, then, is how the knowledge that the epistemic communities produce can be introduced into the public management of national policy—a question to be addressed by analyzing the interactions between the two spheres of policy design.

### **3. TECHNICAL ASSISTANCE FOR PUBLIC ADMINISTRATION: HOW IS A SET OF IDEAS BUILT?<sup>4</sup>**

The management of trade negotiations is revealing the need to introduce new kinds of knowledge and new skills into public administration. This means that, though academics and researchers probably have not had a significant role in changing trade policies, in the wake of wholesale opening there is a constant need to draw sustenance from that development in several ways. In the subsections that follow is a description of cases in which our own research shows how government capacities constrain or affect the policy instruments used to meet the goals of their mandates. We hope to draw some lessons from these experiences. Although they are not limited solely to trade issues in the strictest sense, they are all important for their link to trade, and especially to the way the negotiations are conducted and their consequences.

### 3.1. Physical Infrastructure

The first case concerns the physical infrastructure for international trade, an area in which regulatory failings in the 1990s led to an inadequate supply of roads and excessive costs for users in Latin America. The privatization of a large proportion of infrastructure in that period did not yield the expected benefits, since operational profits were not used to finance infrastructural improvements or to upgrade connections between the region's main industrial centers, much less to bring about the integration of less developed areas. This relative lack of infrastructure has been identified repeatedly as one of the greatest obstacles to a more balanced regional integration (Sánchez and Wilmsmeier, 2005; Acosta Rojas et al., 2005).

In the late 1990s, a Brazilian undertaking sought to remedy this situation in South America. The Initiative for the Integration of Regional Infrastructure in South America (IIRSA) was created with technical assistance from the Inter-American Development Bank (IDB) in collaboration with the Andean Development Corporation (CAF) and the Financial Fund for the Development of the River Plate Basin (FONPLATA). A similar undertaking was begun in Mexico during the same period in the form of the Plan Puebla-Panama, which sought to improve connections between Mexico and the Central American countries. It should be stressed that the capacity arising from the combination of national diplomacy (Brazil's) and a multilateral organization (the IDB) was the architect and engine of this initiative, while the other countries of the subcontinent, apparently, have delegated their interests to this new organization. IIRSA's long list of roads, bridges, and railways includes projects accorded priority by the other governments of the subcontinent, and there is consensus on the timing of the investments. But because of the asymmetry of planning capacities (which favors IIRSA's creators), the physical integration of South America, if realized, will largely be consistent with the interests of Itamaraty and the suggestions of the regional organizations providing technical support (the IDB, the CAF, and FONPLATA). In this case the instruments of influence are essentially technical, since the funding of these projects combines private capital with the financial resources of each country.<sup>5</sup> Neither Brazil (outside its own territory) nor IDB-CAF-FONPLATA play a significant role in this respect (Tanzi, 2005; Giacalone, 2006).

For the purposes of our analysis, which is concerned with the importance of research in trade and integration policies, IIRSA offers several lessons. First, it is evident that some kinds of policies can arise outside the agendas of the "usual suspects"—private interests or external actors (developed countries)—because in this case it is a national bureaucracy, Brazil's, that proposes something that is not necessarily of priority interest to the domestic private sector. Second, it is interesting that these programs, which have substantial impact on trade relations, can become accepted very rapidly by all other South American countries when there is a shortage of

alternative national projects and many more regional-level initiatives in this field. Third, it is worth noting the continued lack of academic interest, and perhaps the lack of capacity in each country and regionally, to assess the progress of IIRSA as a structure that could alter the ways in which trade is conducted in South America.

### 3.2. Energy Integration

Energy integration is a second case in which the combination of privatization and deregulation in the 1990s (with new regulatory frameworks for private initiative) gave rise to serious policy and market failures at the start of this decade. These failures were evident in the energy crises in Brazil in 2001<sup>6</sup> and Argentina in 2004, the unsettled supply of Argentine gas to Chile from 2004<sup>7</sup> onwards, and the sharp social protests in Bolivia between 2003 and 2005 in favor of nationalizing the gas industry, which had been privatized only in 1997. In Ecuador, something similar was barely prevented by an interim government's expulsion of the leading foreign oil company, Occidental Petroleum of the United States, which was accused of speculative dealings with the country's oil resources. That led to the cancellation of negotiations for an FTA between Ecuador and the United States in 2006.

South American energy integration played an important role in all these cases. This was either because the energy crises sprang from a lack of adequate supply from a neighbor; or because of sharp protests spurred by the possibility that energy would be sold to a neighbor with which a source country had a territorial dispute; or because of highly favorable treatment granted to foreign investors from within the region (as with Petrobrás in Bolivia) or from a prime trading partner (as with the United States in Ecuador's case) so that they could exploit a nonrenewable resource such as gas or oil.

In this context of continuous and even mounting conflict, a new series of initiatives has arisen under the coordination of the various national governments. They seek to ensure some degree of security in the supply and affordability of energy, thereby obviating crises and lessening the likelihood that energy issues might destabilize the region's governments. It is still too early to talk of a South American energy integration scheme, but some significant steps have been taken: the offer by Venezuela's PDVSA to provide investment and cooperation to the Mercosur countries, as well as Ecuador and Bolivia; the bilateral agreements between Bolivia and Argentina; and the strategies pursued by Chile and Brazil to diversify their energy supplies. In a context of high energy prices, energy is gaining importance in Latin American trade, especially intraregional commerce.

For a study of the links between research and trade policies in Latin America, the energy issue offers other lessons. In contrast to infrastructure, in the area of energy there is a strong regional research network, the Latin American Energy Organization (OLADE), which supports the

national bodies responsible for energy policy, as well as several transnational and local business groups that undertake studies of the issue. There are also national research groups in universities and other centers financed by domestic business associations in most of the leading countries, especially following the wave of privatizations in the 1990s.<sup>8</sup>

Thus the research that informs the discussions about and subsequent implementation of policies or policy changes is, to some extent, acting on behalf of the interests that finance it, be they national bureaucracies or business lobbies in the energy sector. This is a serious problem for academics and researchers working on trade matters, since energy agreements have a marked impact on the other trade agendas under negotiation, as has recently been evident in the Andean Community, Mercosur, and the bilateral talks with the United States. This lack of impartiality in the information provided and in much of the analysis of energy makes it even harder to include such material in more general studies of trade and integration issues. Since the specific knowledge required permeates to only a limited degree—and since the field is unlike agriculture or industry, for example, where there is trade in goods subject to tariffs or quotas—arguments about energy integration involve considerations that are inherent to a country's whole economy, such as its total energy demand, the intensity of energy use per unit of GDP, and the probable sources of energy to meet the demand.

### **3.3. Technical Assistance**

Apart from these specific examples, in all developing countries there are important experiences in the field of training for trade policy making. This is partly because of the strong growth of trade-related technical assistance from multilateral institutions and development organizations, by means of training courses for public officials. Of particular note is the technical assistance provided by the WTO. Since the start of the Doha Round, the WTO has had an expanded mandate and a very generous budget to help developing countries improve their capacities to implement and make use of multilateral trade agreements. Much of the training consists of coaching in the legal complexities of the commitments that countries made before they had acquired the appropriate analytical skills. The programs are designed to provide the skills needed to meet the commitments on agriculture, services, intellectual property, technical barriers, and phytosanitary rules that developing countries have assumed and must implement. Only a very small part of this training concerns WTO rules on drawing up regional and preferential agreements, on the more common negotiating practices in multilateral discussions, or on the several possible interpretations of a single clause. There is no training on how to put in place systems to monitor separate and unfulfilled commitments that could adversely affect acquired rights. Such assistance is valuable in itself for public officials working in areas related to trade negotiations, but several problems

prevent the knowledge imparted through this assistance from empowering developing countries in global trade. These problems can be grouped into the areas of design and reception.

The technical assistance is designed in such a way that it is biased toward ensuring that countries comply with the rules, but without instruments to monitor if there is compliance elsewhere and thus determine if rights are being infringed. In other words, there is a bias toward acceptance of the status quo in multilateral trade negotiations, since the rules are taught as they have been written and the emphasis is on the gains from implementing them. No mention is made of the costs of implementation, such as rules related to intellectual property, government procurement, and other matters that remain fundamental to development policies in Latin American countries. Second, many of the courses are designed without regard for the huge differences in size, resources, and development levels among the recipient countries. The courses are devised with the idea that the same knowledge is equally useful to everybody, as evident in the frequent choice of examples drawn from countries that are very different from the one in which a particular course is being given (for example, in a course on services for Latin American countries, reference is made to the case of India in order to explain how the WTO services agreement is implemented in a national economy). Third, there is no explanation of the degrees of maneuvering room still available to implement the agreements in each country (CUTS-FLACSO-NSI, 2006). That is to say, although a set of skills and aptitudes is transmitted, that happens in the form of a decalogue of duties and rules that help recipients take part only passively in a framework of established regulations, with no chance of seeking to bring about change.

This knowledge might help to increase the technical capacity of the governments, but reception of it is generally defective because the candidates selected to receive the training are not adequately spread among the various ministries and offices affected by each of the agreements. There is a strong bias in designating the officials to be trained: the WTO courses are mostly geared to Foreign Ministries and Economy Ministries, and there are few or none for their counterparts in Ministries of Industry, Agriculture, Development, Technology, or even Education. Partly because of that, developing countries are unprepared to deal with the mounting pressure of multilateral trade disciplines on the margins of independent policy (see Chapter 7, by Botto and Peixoto Batista). Second, because of the high rate of turnover among skilled staff and the lack of instruments to create institutional memory that stores the knowledge received, public officials trained by the WTO often leave their posts. The bureaucracies thus lose the opportunity to apply the knowledge acquired by those people, who in only a few cases have a chance to train their replacements. This failure by national, trade-related agencies to retain the technical capacity received is fostered by a constraint on the part of the WTO: it trains only public officials and not members of private research centers, academics (including those from

public educational institutions), or representatives of the business sector. These latter groups receive only short courses on the general work of the WTO in the global trading architecture.

For the purposes of our analysis, it is important to highlight how technical assistance, which is apparently neutral, comes accompanied by a mechanism to transmit a set of ideas that fosters the construction of thought communities. Technical assistance conceived as merely neutral ceases to be a condition or circumstance and becomes, in effect, an active factor in reproducing the given distribution of costs and benefits. Even within the WTO paradigm, moreover, and taking account of its internal dynamics, it is widely known that, often, the implications of what is negotiated are not all known at the time of the negotiations. Hence the art of negotiation resides in “creative ambiguity”—that is, in ensuring that the signed agreements expressly contain gray areas for later interpretation. In other words, the very design of the agreements does not conceive of a sole interpretation. If technical assistance terms itself neutral, in fact it interprets in order to ensure a form of implementation: it is creating obligations that might not have been so clear at the time of the negotiations.

Interpretation, on the other hand, not only is ambiguous; it also cannot be static. On the contrary, the interpretation of what has been negotiated changes over time. In the field of law, this is not an easy matter to resolve. Is justice provided solely through what the books say or also through what is imposed or applied in real life? Or rather what, independently of the hallowed books, obliges compliance with the code of an age?

Hence technical assistance that seeks to transmit only one possible “neutral” interpretation of what has been negotiated not only detaches itself from reality but also, implicitly, interprets, legislates, and adjudicates. It generates a mental map of conformity, one that is often dysfunctional for the interests of the recipient countries, perpetuating rules of the game in which the initial winners guarantee that they will persist. This masks the presence of weak links in the agreements, links that could be used as windows of opportunity to renegotiate commitments or to demand rights that have been eroded. Without space to explore the possibilities of new contractual arrangements, the veil of ignorance is maintained beneath the impartial cloak of technical knowledge—a subtle means of reproducing the status quo by means of technical assistance.

#### **4. FUTURE RESEARCH CHALLENGES IN THE CONTEXT OF PERMANENT NEGOTIATIONS**

If to know, research, and learn means focusing on what already exists in order to acquire new knowledge, what should research bring to the negotiations? In these cases, research directly affects the general framework for the adoption of a policy direction. Research is not undertaken in a vacuum: it is

the interaction between the production of research and the political process that aids understanding of when and why research influences policy design and decision making. As we argued in the preceding sections, research and policies are the outcomes of a cycle in which events lead to new ways of thinking and new policies. Consequently, new problems are often uncovered and thus new developments—ideas and recommendations—arise in the same process. Both thought and policies, however, are strongly influenced by interests that in turn are shaped by the consequences of the policy. Research, therefore, is part of an unequal world in which producing results or disagreeing with them is not only costly but often impossible unless adequate resources are available.

To analyze the challenges posed by permanent trade negotiations, it is important to view negotiations as a process of interaction between policy makers and private interests. An exogenous obstacle to international trade—be it market access or essential resources—will spur enthusiasm for research that seeks to explain or surmount such obstacles. Similarly, international trade agreements that can be seen as resolving market access issues represent a window of opportunity for empirical research.

Each stage of the cycle requires different kinds and sources of research. All trade-negotiating processes can be divided into at least four stages:

- the decision-making stage (to open negotiations or choose a strategy—for example, yes or no to the FTAA);
- rule making;
- exchanging concessions;
- and finally, implementation.

Each of these (see Table 1.1) has a different logic: the demand for knowledge varies, and moves contrary to the prominence of the epistemic communities that influence governments and thus serve as “hooks” for decisions. Hence, for example, if the governments’ role is significant, the first stage of the process is influenced by learning and the culture of the age. In this case, in the reforms of the 1990s and the conclusion of FTAs with the United States, epistemic communities have played a central role. In general the most influential research has come from outside the region, especially from international organizations.

As the negotiating process advances, there is a need for data and concrete responses. At the same time, a constant flow of research is needed to revise, refine, and adapt a policy so as to move forward on technocratic terms, choosing instruments, setting timetables, classifying products. How can the policy of opening be adapted to national circumstances? What are the sectoral costs? What is the value and impact of a negotiating offer? It is during these stages of refinement and adaptation that national-level research grows in line with the need for specific responses and plays the most important role—as most of the cases studies in this book demonstrate.

Table 1.1 The Negotiating Cycle

		<i>Participation and Impact</i>	
		<i>Public</i>	<i>Private</i>
Design	1. Decision to negotiate	Leadership with possible consultation	Confined to public invitation (impact studies)
	2. Rule making	Leadership	Low participation (normative studies)
Implementation	3. Exchange of concessions	Intense consultation	Active participation (sectoral cost-benefit studies)
	4. Implementation and compliance	Consultation with preservation of political interest	Confined to monitoring the concessions received

In this stage there is intense product-by-product bargaining, bringing business groups to a state of alert and prompting them to turn to research. In this case research plays a central role in ordering and arbitrating among interests. The novelty and complexity of the negotiations calls for experts and opens a window of opportunity for national knowledge and research to exert an influence. The studies in this book show how, through their participation in the decision-making process, academics were asked to identify international experiences in order to lessen the uncertainty prompted by these new challenges, as well as to obviate the costs associated with the negotiations and seek compensatory modifications.

In turn, both the governments and society as a whole are engaged in a learning process (see Chapter 3 on the role of think tanks in the Southern Cone), through which the experiences of completed negotiations have been examined and in many sectors the outcomes have been called into question. In the context of a regional political mosaic that is experiencing marked change, there is a striking reassessment of the role of the state and less acceptance of the free market as a promoter of economic activity and a leader of certain development initiatives. In this regard it can be expected that the convergence of this new faith in state activism with a trade policy that is subject to a greater degree of democratic discussion will form the basis of a more stable consensus on economic policy than has prevailed in the distant and recent past. Just as the continuance of yesteryear's statist model beyond its natural limits and "natural life" led to the deification of the state and the "national interest" under brutal dictatorships in the 1970s and 1980s, so many neoliberal reforms of the 1990s prompted a series of very serious political and institutional crises in a number of countries.<sup>9</sup> Today, therefore, the search for an *effective* and *human* pattern of development, one that has appropriate institutional channels, is essential for the region's governments and civil societies.

There is vigorous renegotiation not only in Venezuela, Bolivia, and Ecuador, but also in bastions of greater orthodoxy such as Colombia, Peru, and Chile. These endeavors stem from a haste to cover social costs and reduce poverty, an urgent agenda in a democratic context and in light of the outcomes of the 1990s reforms. These circumstances bring with them a necessary endogenization and nationalization of research output. Impact and quantification studies of negotiating offers, for example, are increasingly produced at the national level in most countries. Moreover, research-supported coalitions have been formed for the purposes of trade negotiations. This is how alliance building in the WTO should be understood. An example is the Group of 20, which is led by Brazil and India and includes Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, the Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe. This group is far from being a typical, defensive, developing-world alliance. On the contrary, it expresses the booming export interests of market actors from agro-industry, industry, and services, and it has devised technical proposals on a wide range of issues on the multilateral agenda. Linking the concerns of its civil societies with those of its business sectors, it has begun to engage in a kind of trade diplomacy geared to securing greater internal consensus and thus greater legitimacy than in the recent past.

In this sense we are witnessing a process through which trade negotiations are seeking their institutional course at the same time as they are being internalized in the policy discussion of the democracies. Given the diversity of interests and sometimes of ideologies, which are normally evident in every country of the region, as in any other, there are vigorous debates about the sectors to be liberalized, the means and time frames for liberalization, and what concession to ask of trading partners. What many today might see as resistance is really the result of the time needed to calculate costs and benefits on the one hand, as well as for democratic consultation; and on the other hand for harmonization among the membership of the negotiating alliances that the countries have joined. Once the analysis and consultation have been carried out, moreover, the countries must build technically reliable agendas that pay due regard to the array of interests at stake. The social costs borne by many countries undoubtedly make this discussion a difficult one, but they also spur governments and civil societies to think at length about what proposals to make now, to consider what to accept and what to reject, and to explore the limits of their resistance to external pressures. In this regard national research makes a fundamental contribution to considering possible scenarios and, through them, to transforming uncertainty—defined as inexact knowledge of future events—into a risk that can be assessed and, more importantly, shared in the democratic debate.

## 5. FINAL REFLECTIONS

Throughout this chapter we have sought to investigate the links between academic research and the implementation of trade policies that are in a state of permanent negotiation. Why the insistence on this context of permanent negotiations? The state of the negotiations gives rise to a reconfiguration of incentives, which has distributive implications. And those incentives are permanently under negotiation, being weakened and rebuilt, thereby affecting costs and benefits.

We have examined different approaches that have been taken in an effort to respond to the main questions in a still incipient debate. And we have outlined different kinds of changes, identified by different kinds of research, that transform uncertainty into manageable risk—thereby providing policy with stability, visibility, and direction. Contextual factors shape policies and research, and they also have a direct influence on the relationship between the two. In this initial exploration of the issue we have sought to argue for what we judge to be the first response to the questions posed: on the one hand, acceptance of cognitive reflexivity in the field of study itself; and on the other hand, acceptance of the multidimensional nature of processes of change, specifically as regards trade policies. This dual exercise will facilitate the reappropriation of expertise as fallible knowledge in designing policies that aim to meet their stated goals, establishing as a condition for those goals acceptance of positions from different social sectors.

Large policy changes emerge from battles lost. Research is undertaken on uneven ground in which producing results or disagreeing with them is not only costly but also, and often, impossible without vast resources. At present, the emergence of China and the consequences of the crises of globalization are clear examples of historic events that have immediate resonance in the Latin American economic debate. The lessons being learned from these events is that there is no magic key or single formula. These historic changes have affected the production of academic knowledge as well as the political future. Policy and social science thinking are intrinsically linked, even though they respond to somewhat separate dynamics. The relationship between the two has changed in line with the evolution of social phenomena that call, with greater or lesser urgency, for intellectual and political assistance and intervention. The discussion developed in this book is important inasmuch as it assumes that this relationship is not conflict-free and is susceptible to change under more inclusive and pragmatic conditions. External advisers and development gurus from elsewhere did not go to China. Hence it is important to recover the role of institutions engaged in intellectual work, in activities that make a significant contribution to thinking about society, its actors, its potential, and its contradictions, institutions that do not have a direct advisory role and whose aims differ from those of the public sector. It will be the task of an epistemic

community, forged in the heat of these global phenomena, to think about how research can be linked to current policies in order to face the challenges posed by these paradigm shifts. The future is being sketched in the present through the reflexive organization of the realms of knowledge.

## NOTES

1. We are grateful for the generous assistance of Jorgelina Loza and the always salutary, stimulating, and affectionate encouragement of Mercedes Botto.
2. See CUTS-FLACSO-NSI, *Strategic Review of WTO-Provided TRTA Activities: Final Report*, 2006, available at [www.wto.org](http://www.wto.org) and [www.flacso.org.ar](http://www.flacso.org.ar). That evaluation, with field studies in nine countries, is used as a counterpoint to analyze the socialization of governmental technical personnel.
3. No government has suggested closing its economy to the international market. In fact, they very skillfully use those connections to the global and regional market in order to further their reform strategies. Chávez in Venezuela might be the exception.
4. This section draws on a generous contribution of research studies by Pablo Heidrich, which are cited in the text.
5. See Giacalone (2006) for further details of how the channels of influence work to structure political power and IIRSA's physical infrastructure agenda.
6. Though privatization of the energy sector in Brazil did not advance as much as in Argentina and Bolivia, the extreme cases were undertaken with a yet more inappropriate regulatory agenda that eliminated incentives to generate additional energy and reduced coordination among the generating plants. For details see De Oliveira (2003) and Vélez (2005).
7. The regulatory failings of the private exploitation, transport, and distribution of natural gas in Argentina led to a situation in which the quantities of gas available for domestic consumption and export did not match the growth of domestic demand, obliging the Argentine government to reduce exports to Chile in order to meet domestic needs and secure promises of higher investment from the privatized companies. For details see Uniren (2004) and Kozulj (2005).
8. See [www.olade.org.ec](http://www.olade.org.ec). An example of business associations with research units as part of their lobbying setup is the Argentine Institute of Gas and Petroleum (IAPG) [www.iapg.org.ar](http://www.iapg.org.ar). The multinationals have a research center that finances studies from universities and consultants at the Latin American regional level at [www.arpel.org](http://www.arpel.org).
9. Argentina, 2001; Bolivia, 2002–2004; Brazil, 1992; Paraguay, 2000; Dominican Republic, 1998; Ecuador, 2000 and 2004; Peru, 2000; Venezuela, 1989, 1992, and 1998; Mexico, 1995 and 2006; Guatemala, 1992; Nicaragua, 2000.

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## 2 The Role of Academia in Regional Governance

*Deisy Ventura*<sup>1</sup>

### 1. INTRODUCTION

Robust and enduring economic integration demands structural changes in broad fields of the regulation of social life. Thus it is a serious mistake not to view it as a policy of the whole state. To treat regional integration as simply a part of trade policy is to give primacy to mercantilist conceptions of integration, which make up a kind of long-term cannibalism since they relinquish the process to the bipolar disorder of the market.

Apart from trade, when integration is also regarded as political integration, there is a risk of viewing it as simply a part of foreign policy, warranting the concentration of power in foreign ministries—even though their very nature hampers the coordination of a complex process of internal negotiation that is as important as (or more important than) international action on the matter. It should also be recalled, however, that regional integration processes have fostered institutional opening in those ministries, causing them to coordinate other state institutions and even private-sector organizations. Note, for instance, the creation of Argentina's Civil Society Consultative Council (see the comparative analysis of Argentina, Brazil, and Chile in Chapter 3 of this book).

Hence, since regional integration is a typical issue of domestic and international governance, its practical viability and political legitimation depend on the capacity to do at least two things: first, to include it on the agenda of the state's constituted powers and all government portfolios; second, gradually to create a socially-based political constituency that builds a public consensus around integration as a state policy, but one that also respects dissent about how the process is undertaken. The role of academia is linked to both of these challenges. If this book's focus is to create a "virtuous linkage" between Latin American academics and negotiators, the goal of this chapter is to consider the matter in the specific case of the Southern Common Market (Mercosur).

## 2. TO WHAT EXTENT IS THERE TENSION BETWEEN THE INCREASINGLY TECHNICAL NATURE OF EXPERT KNOWLEDGE AND THE DEMOCRATIZATION OF DECISION-MAKING PROCESSES?

We lack a specific dimension that allows for the controlled translation of technical knowledge into practical knowledge and the rationalization of political domination, since the light that in principle we could provide to inform political will over the technical power that it has, is either viewed as superfluous by the technocracy or is disregarded by those who prefer pure and simple decisions.

—Jürgen Habermas (2000: 131–32)

The antagonism between technical knowledge and politics is embedded in the unconscious technical expert<sup>2</sup> and in the political culture of our societies: it is the classic question of the links between knowledge and power.<sup>3</sup> Some believe that learning is good, technical knowledge is ambivalent, and politics is bad. Others claim that ethics is weaponless against an amoral learning and a politics that is often immoral.<sup>4</sup>

Nonetheless, there are no closed compartments in this field. While learning has a theoretical vocation (the exploration of an object distinct from the consciousness that studies it), technical knowledge has a practical vocation (it is not a matter of interpreting the world, but of changing it).

Historically, technical knowledge based on learning has served industrial production and has responded to economic imperatives, especially to increase productivity and develop new markets. Hence academic output is not neutral, neither in the goals that motivate it nor in the consequences of its use.

In the more consolidated democracies, the value given to technical knowledge in decision-making processes, part of the search for economic progress and an improvement in the efficiency of state and corporate structures, gave rise to a distortion in the political discourse, which termed it “technocracy.” Academia also refers to the technocracy, providing a very abundant literature. In general terms, it is a matter of establishing that hyperspecialization:

- leads to a loss of a sense of the whole;
- reduces or eliminates the political responsibility of the actors, who are protected by the incomprehensibility of their discourse; and
- gives state power to actors that have no mandate.

At the other extreme is “decisionism,” which denies that technical knowledge is a prior element of political decision making and gives priority to contextual and empirical factors. The preponderance of immediate politics:

- causes institutional instability and juridical insecurity;
- brings about inefficiency in government activities; and
- over the long term, devalues the political goals that justify it.

The two caricatured distortions cannot mask the fact that, in the current debate, these two variables are held to be indissociable, and there is a constant effort to balance them in the complex equations of power.

Politics is more a matter of “what to do,” while technical knowledge is more a question of “how to do it” (Maldonado, 2004). Whenever the discussion is about tools, ways, and means of attaining a given policy goal, that is a technical debate. The complementarity of the two ways of thinking is therefore evident.

The production of technical knowledge is not solely a function of academia. Though the state has technical units, however, as does the private sector, it has large-scale demands for knowledge, especially in the hard sciences and cutting-edge research. In the last decade there has been a huge expansion of cooperation between the state and academia.

In the field of the applied social sciences, particularly as regards international relations, the state has only limited demands for cooperation. It tends to approach intellectuals who are favorites of the officials in office at any particular time, either directly or through the careful selection of consultants in the area of international technical cooperation, and to give primacy to the later justification of policy strategies.

Technical knowledge becomes a “determined variable” of the power equation when the contending or juxtaposed interests in the political sphere manage to become technical knowledge. On the other hand, efficiently facing reality calls for knowledge as an “undetermined variable.”

The automatic response that “the technical specialists offer alternatives and the politicians decide which is best” is unconvincing, because to define options is to practice politics. Similarly, when politicians choose from among the options, they are entering the field of professional or technical definitions (Astori, 2000: 26).

This is the first reason why the plentiful academic output on Mercosur has filtered into the negotiating realm to only a limited extent: as an underdetermined variable, knowledge that is independent of governments offers alternatives that the governments are unwilling to discuss.<sup>5</sup>

The second reason is that a process of scant institutionalization like Mercosur’s has still not developed its own technocracy. Rather, there is the temporary movement of national bureaucratic sectors to the regional institutional sphere. Thus we can speak of sectors of the national bureaucracies responsible for negotiations, presumably specialized in regional integration, with a marked asymmetry among the member states in terms of the number and quality of the human resources assigned to technical work.

According to the governments themselves, at the regional level they face the classic difficulties of retaining the best personnel in government service

and of guaranteeing that they maintain the high level of specialization needed to deal with complex and changing circumstances.

At the same time there are chronic problems of coordinating the technical work emanating from the different areas of government; this is often a source of internal disagreements in the delegations. The regional negotiating process is markedly impoverished by the fluctuation between the predominance of (a) nonspecialized diplomacy<sup>6</sup> that is resistant to the technical culture of regional integration and (b) technocrats from different ministries forged in a culture of defending immediate national interests.<sup>7</sup>

The end result is a technical deficiency that in some issues reaches the point of simple inconsistency. Only the inertial force of the status quo can explain the fact that Mercosur's institutional system has so violently rejected the first supranational, technical advisory body in its history, which was set up within the Mercosur Secretariat in Montevideo.<sup>8</sup> Comprising officials recruited through international public competitions and appointed by the Council (thus not chosen by the national governments and with no duty to obey them), the Secretariat's Technical Advisory Sector (SAT) was created by Council Decision 30/02 as an "arena for joint reflection on the development and consolidation of the integration process." The functions foreseen in that decision, however, were later disfigured by restrictive regulations that were incompatible with the spirit of the decision itself. Technical support was hampered by Common Market Group Resolution 16/04 and by a deliberate policy of confining technical functions next to the negotiating fora. The SAT's biannual reports were classified as confidential. Its studies program became a negotiable matter among the national delegations, depleting its capacity to devise a thematic research field of its own—apart from meeting specific requests from the decision-making bodies. Not one agreement was signed with a university or a research institute. Finally, the controls on the juridical consistency of draft norms were suspended, even though Mercosur continues to have significant gaps in the area of legislative expertise and serious problems of systemic coherence that undermine its effectiveness.

Since Mercosur is a highly political process, however, in which diplomacy takes enormous precedence over technical thinking, at the moment it makes no sense to speak of a conflict between "technification" and democratization.

On the contrary, at present a move toward transparency in the decision-process making would favor an increase in both its technical robustness and its legitimacy. The alleged obstacles pointed out by the governments are often nothing more than covert, nationalist political positions or expressions of the governments' recurrent inability to identify the common interest and convert it into technical tools. The dissemination of information and greater openness toward society (including academia) would do much to aid the effectiveness of Mercosur's decisions, since it is difficult to help apply or offer political support for the unknown, or for issues on which no opinion has been sought.

### 3. WHAT IS THE ROLE OF EPISTEMIC COMMUNITIES, CONGRESSES, AND THINK TANKS IN DEMOCRATIZING THESE PROCESSES?

The diversity of our opinions arises not because some are more reasonable than others, but only because we conduct your thoughts along different paths and do not consider the same things. It is not enough to have a good mind; the main thing is to use it well.

—René Descartes (2005: 19)

Daily experience teaches that, very often, ideas serve to give actions justifying motives rather than real motives (Habermas, 1973). In this respect, we can begin to answer our question in the negative: the role that academia should not play is to justify the positions of the governments in international negotiations.

In Mercosur, part of academia has been serving diplomatic corporations by assessing certain political decisions solely from the perspective of each member state. This also serves the purposes of part of the private sector, which opposes integration and demands protectionism in order to uphold the old model of *à la carte* integration. On the positive side, however, what is the role of intellectuals in regional integration?

When intellectuals take part in the political struggle to such an extent that they put themselves in the service of one ideology or another, they are said to have betrayed their mission as scholars; when they place themselves above the fray, their work is said to be fruitless, useless, and teacherly (Bobbio, 1997: 21–22).

But this is a false dichotomy embedded in the collective mind. In reality, intellectuals are more than producers or transmitters of ideas; they are also mediators, legitimators, and producers of social practices, and they play a highly political role (Giroux, 1997). They can act as ideologues, drawing up the principles that justify and legitimate an action (principles–guide and ethics of conviction), or as experts, indicating the proper knowledge needed to reach a particular end (knowledge–means and ethics of responsibility) (Bobbio, 1997: 97).

The role of ideologues is even more important, given that political actors do not resist change itself but rather change that seems to go against their interests or against their idea of their interests.

At present, in the field of regional integration the most important role of intellectuals, as ideologues and as experts, is to change the representation that the political actors have of their own interests.

The breakdown of Westphalian mental continuities that inform the entire state apparatus requires a significant shift in ideas to support the changes required for integration—as happened in the European integration process, where the political and administrative elites slowly joined the regional endeavor.

This process, of course, is dialectic: the circulation of learning and knowledge can have a clear impact on ways of “reading” current circumstances and, sometimes, on policy making. Similarly, the perception of current circumstances that emanates from governments (and is introduced into the political debate by the media) causes researchers to redirect their research agendas or even “discover” new kinds of subject matter (Zagefka, 2004: 97).

On this point, however, note that as well as the false antagonism between technical knowledge and policy, in Mercosur other myths have held equal sway, myths that ensure that national bureaucracies retain absolute control of the negotiating process.<sup>9</sup> It is a question of recovering, among other things, the anachronistic opposition between theory and practice: the best way to discredit technical specialists in regional negotiations is to “accuse” them of being academics.

## NOTES

1. I am grateful for comments by Tullo Vigevani.
2. According to Régis Debray there is a unconscious technical specialist (just as there is an unconscious psychoanalyst) that the subject finds very hard to accept because it is uncomfortable, in light of the supposed sovereignty of the individual, to acknowledge that independently of his or her will the tools of technical knowledge are present in all stages of our thinking. See *Société d'éditions scientifiques* (2005), 86.
3. Lanzaro (2000), 12.
4. Morin (2004), 84.
5. According to Raymond Aron (2005), governments fear the social science community because of its absence of restrictions on: (a) the search for and establishment of the facts; (b) the right to debate and criticize, applying not only to partial findings but also to bases and methods; and (c) the right to detach from the real: many politicians do not want to impede technical knowledge's slide from the realm of positive knowledge to the realm of mythology.
6. Similarly, we do not deny—inasmuch as trade policy is a priority on the government's agenda, in a context of permanent negotiations—that such diplomacy tends to be self-teaching and to acquire expertise in line with new challenges. On the basis of its national and sectoral studies, this book reveals this tendency toward professionalization on the part of government personnel.
7. See Chapter 7 in this book.
8. The story of how the process of making the Secretariat a technical body was suspended, and of the slow asset stripping of the Secretariat's SAT, is starting to be told in the specialized literature. See, for example, Mario Filadoro (2006) and Marcela Fonseca and Fernando Meinero (2005).
9. “Awareness of having an influence on men, of taking part in the power over them and, most particularly, the feeling of managing the thread of important historical events, lifts professional politicians, even those who occupy formally modest posts, above the everyday. The question that thus arises is what are the qualities that will let them be worthy of that power (however limited it might be in concrete cases) and of the responsibilities it brings . . . More than once we have had to watch how an official-made-politician becomes a bad character with his technically poor management of an issue that in this sense was good” (Max Weber, 2005: 115 and 153, respectively).

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### 3 Think Tanks in External Trade Negotiations

#### Do They Advise, Mediate, or Legitimate Interests? A Comparative Analysis of the Southern Cone

*Mercedes Botto*<sup>1</sup>

#### INTRODUCTION

Today, think tanks are more significant actors in Anglo-Saxon countries than ever before, and they have grown markedly in other developed countries (Xifra, 2005). As we will see throughout this chapter, however, in Latin America they seem to be associated with the democratic game and the use of persuasion as a tool of political action.

As their name indicates, think tanks are marked by the ability to produce practical knowledge or, better said, ideas. But unlike traditional research centers, the research they produce is not motivated by an interest in knowing, nor by its originality or critical thinking,<sup>2</sup> but by its ability to contribute to policy design and implementation, as well as to political communication. In the case of think tanks, it is more correct to speak of symbolic-analytical services than of academic research.<sup>3</sup>

Think tanks first appeared in the interwar period and were geared to national issues and national public opinion. During the Cold War, by contrast, there was a discernible development in some countries with geopolitical ambitions—the United States, Germany, Great Britain, and Australia. It was only in the 1980s that these institutions spread and their activities were internationalized. Then the real boom in think tanks began, motivated in part by the expansion of the international agenda, challenges to state sovereignty, and the growing power of international epistemic communities. Another important factor in the development of think tanks was the availability of financial support and assistance from international foundations and government agencies (Stone, 2000).

In the developed countries, the growth of think tanks in the 1980s filled the gap left by the decline of political parties and parliamentary democracy (Smith, 1991). In Latin America, political instability and military intervention reduced the arena for academic debate in universities and government departments, thereby opening the way for alternative arenas. In the 1960s they took the form of research centers, but in the 1980s they also turned to training the government officials of the new democracies (Thompson, 1994).

By now, think tanks have not only grown in number but have also become more organizationally complex. Normally they are private or independent

organizations devoted to public-policy research. Their legal standing places them among nonprofit organizations or those in what is known as the “third sector.” Nonetheless, government-created, in-house think tanks have also been established to provide knowledge and inputs to decision makers. As with nongovernmental organizations (NGOs), it is not easy to distinguish among them because many of them depend on the same sources of public or international financing.

Their main audience is the state and, in the particular case of Latin America, the executive branch—that is, the branch that mainly carries out public policies. Apart from the state sector, however, think tanks have gained other audiences by providing publications to students and scholars, and by forging communications links among different audiences (public with private, entrepreneurs with NGOs, and so on). They have offered themselves as arenas for the exchange of opinions, providing the fruits of their academic research in practical policy briefs and presenting international lessons and experiences to local audiences.

Their general goal is to influence public policies by offering ideas and recommendations, though this can take two forms. One role is that of an adviser that makes recommendations and suggestions to decision makers or the public on how to solve problems or legitimate decisions taken. A second role is that of advocacy in the interest of specific group causes.

This chapter aims, first, to identify the think tanks that undertake research on trade policies in Argentina, Brazil, and Chile, the main economies of the Southern Cone. Second, the chapter analyzes the activities of the think tanks and assesses which of these two roles—adviser or advocacy—they play.

The chapter is divided into three sections. The first compares the political and economic contexts of the three countries. The second describes the characteristics of the think tanks in each of them in terms of the links between the production and use of their research. The chapter then concludes with an assessment of the think tanks’ similarities and differences. Is there a regional model of production-linkage-use, or do national characteristics take primacy?

Methodologically, the data in the sections that follow are drawn from fieldwork<sup>4</sup> that included eighty interviews with researchers and decision makers connected to trade policy design in the three countries between 1990 and 2003 (see Table 3.1).

*Table 3.1* Description of the Interviewees

	<i>Characteristics</i>	<i>Chile</i>	<i>Argentina</i>	<i>Brazil</i>
<i>Function</i>	Decision makers	14	14	10
	Researchers	6	16	16
	Others	3	3	3
<i>Profession</i>	Economist	10	23	8
	Noneconomist	13	10	21
<i>Studies</i>	Ph.D./Master’s	17	18	18
	Bachelor’s	5	10	10
	Nonuniversity Bachelor’s	1	1	1

## 1. NATIONAL POLITICAL AND ECONOMIC CONTEXTS FROM A COMPARATIVE PERSPECTIVE

The literature on the influence of research on decision making puts particular stress on the importance of the “political context” (Carden, 2004; Court, 2004). While context is hard to delimit, this chapter characterizes it by means of two variables that foster and/or constrain the think tanks’ prospects of having an impact: the economies’ degree of opening at the start of the negotiations, and the extent to which the public-private linkage is institutionalized.

### 1.1. Chile: An Opening Consolidated Over Time

Chile’s military dictatorship began the process of structural reform in the 1970s through unilateral and wholesale opening. The instruments used to liberalize foreign trade changed over time: between 1974 and 1979, an abrupt tariff reduction and the setting of a zero tariff; later, more flexible mechanisms until the end of the dictatorship. The high social costs and Chile’s noncompliance with international commitments led to the country’s isolation from the global context.

The first democratic government—that of the Concertación under Aylwin and his successor, Frei—took office in 1990 and found an open and consolidated economy (see appendix 3.1). Two problems, however, had to be tackled: high inflation and a sharp asymmetry in income distribution. In these circumstances the government decided to maintain and deepen the opening. While not questioning the model it had inherited, the government changed the strategy: instead of persisting with unilateral opening, it opted to continue tariff reduction through trade negotiations.

This shift in strategy offered certain advantages and also indicated the challenges of the new democratic context. First, agreements with other countries highlighted Chile’s interest in returning to the global fold, obeying the rules, and strengthening international law. Second, negotiations in the World Trade Organization (WTO) allowed Chile to consolidate the previous unilateral opening, thereby averting any dispute with protectionist sectors that now had mechanisms to express their views and guarantees that they would be listened to. In this latter regard, a third benefit of the decision to pursue negotiations was that the political costs were shared with Congress, which was now a coparticipant in the decisions leading to the signing of the agreements.

Thus began the series of free-trade and cooperation agreements (there are now forty-two of them) that make Chile a global trader. A review of these agreements reveals that there were three waves of negotiations, depending on the negotiating partner, the issues included in the accord, and the extent of the liberalization (see appendix 3.2).

The first wave (1990–1998) was marked by economic complementarity agreements with bordering countries: a modest, low-cost agenda whose goal was partial tariff reduction. A second wave (1998–2003) featured negotiations with more economically developed countries for a free-trade area; the negotiations included nontariff issues such as investment, intellectual property, services, and so on. Finally, in a third wave from 2003 onwards, Chile signed bilateral agreements of varying scope and substance with countries in Asia.

Pursuit of this negotiating strategy was a real and novel challenge for the democratic government. The new administration lacked negotiating capacity and experience. During the dictatorship, the agency responsible for trade liberalization had been the Economy Ministry. The Foreign Ministry played a purely formal role through an ad hoc Foreign Trade Directorate (DIRECON). Congress had also taken part in the process in order to give a veneer of legality to decisions imposed by force. At the time, the export sector took no part even though it was the chief beneficiary.

Over time, and by maintaining this strategy as a state policy, one without volte-faces, the government's negotiating capacity was professionalized and public-private links were strengthened, spurring an exchange of ideas and knowledge (Bull, 2006). In the first wave of agreements, responsibility for the negotiations was shared among several ministries (Interior, Economy, and Foreign Relations), which competed with each other to achieve results and to be recognized for doing so.

In the second stage, the presidency gave the lead to the Foreign Ministry, thereby strengthening DIRECON as the coordinator of the various voices and public agencies. The private sector also began to play a role, its participation being institutionalized through what is termed the "side room." The state's role was key in training entrepreneurs and in determining who would speak for business in its dialogue with the government. ASEXMA was chosen for that purpose, a group of export interests with close contacts among government elites.

It was in this stage that an "informal" dialogue began with civil society organizations through the same public-private council in which business, unions, and NGOs took part. This expansion was a result of pressure from networks and governments in the North during the negotiations. There was an active policy of providing access to information and of *ad referendum* consultations on the part of governments and negotiators (Botto, 2003).

In the third stage, DIRECON's staff was truly professionalized. Negotiators stayed in their posts for a long time, had experience in various negotiating fora, and were very well paid. The private sector was also professionalized. SOFOFA, an industrial business association, replaced ASEXMA in the dialogue with the government. This was largely because of its greater resources and the larger number of its members in sectors deemed strategic. SOFOFA brings together the leading, internationalized

businesses in the service sector (electricity, telecommunications) and commodities (forestry and mining). In exchange, the government gives these firms preferential access to decision makers, training courses, and so on (Bull, 2005).

As regards civil society, participation ended and the channels for dialogue were deactivated in South-South negotiations that the public does not view as threatening.

## 1.2. Argentina: The End of a Fluctuating Era

As in Chile, Argentina's military dictatorship embarked on trade opening in the 1970s in a context marked by the suppression of democratic institutions and civil liberties. Argentina, however, differed from Chile in two important respects. First, the opening was not indiscriminate. The average tariff was sharply reduced, but some industrial sectors, such as steel, paper, petrochemicals, textiles, and so on, remained heavily protected (Basualdo, 2001). Second, the opening did not strengthen or deepen over time. Quite the contrary: around 1981 the strategy was reversed, and protection reached levels similar to or higher than those in the previous period (Viguera, 1998).

This fluctuation, a characteristic of Argentina since the 1930s, evidences the struggle between two development models that persist in Argentine thought (Wynia, 1983). One is an effort at accumulation based on the export of primary products, preferably agricultural goods. The other is based on the development of the domestic market with modest industrial growth. The novelty of the past thirty years is that this latter group has diminished and has coalesced into "captains of industry," a small number of monopoly businesses with ambitions to conquer the regional and global markets. Income from foreign trade, however, still amounts to only 25 percent of GDP.

In the late 1980s and under the supervision of international economic institutions such as the World Bank and the WTO, this internal fluctuation reached certain limits. The democratic government of Alfonsín faced the first external limit when, obliged by the World Bank, in 1987 it began to reorganize the country's tariff structure, making it more open through progressive tariff reduction and the elimination of protectionist measures.

The Menem government embarked on a second stage in this process. Unlike the previous phase, trade liberalization was abrupt and was pursued through various strategies. There was a unilateral strategy, in which the government cut import and export tariffs by decree. There was a strategy of external negotiations in several fora. At the multilateral level (WTO), Argentina set an average tariff of 35 percent; at the regional level (Mercosur), the tariff was reduced to 12 percent; and at the hemispheric level the country began negotiations with the United States to conclude a free-trade agreement (zero tariff) with the main economy in the Americas (see appendix 3.1).

Of all the negotiations in which the government has taken part since the late 1980s, the Mercosur talks have involved the most significant trade liberalization. Though the agreements with the United States and the

European Union (EU) involve more issues and greater commitments, they are still being negotiated and the parties are facing substantial difficulties in reaching an agreement (see appendix 3.3).

As regards the management of international negotiations, since 1983 Argentina's democratic governments have had a public sector with limited professionalism and very modest human and technical capacities, the result of successive breakdowns in the institutional order and the lack of a career path in the public sector (Jordana and Ramió, 2002). In the private sector the situation was more diverse. A few private companies and chambers of commerce, most of them dominated by captains of industry, had experience of the Latin American Integration Association (LAIA) negotiations in the 1970s and/or enough money to hire specialists to protect their interests. Small industrialists, for their part, lacked the knowledge and experience to face the new context of economic opening.

In the more than fifteen years since Mercosur was founded, the intra-subregional negotiations have changed this situation. State capacities have increased, and the private sector's various voices have managed to coordinate among themselves (Botto and Bianculli, 2006). The negotiating issues are no longer confined to agricultural matters but now include new fields. The Economy Ministry, traditionally the interlocutor in dialogue with the private sector, has been joined by the Foreign Ministry and others, depending on the particular negotiations. Finally, new channels for private-sector participation have been created: the so-called "adjoining room" for some business sectors and the Civil Society Consultative Council, whose members include trade unions, NGOs, academics, cooperatives, and so on. Though progress has been made in these areas, some things remain to be done: the public sector's internal coordination must still be institutionalized so as to avert false interministerial competition, as must the channels for private-sector participation, so as to ensure that they continue and are representative.

### **1.3. Brazil: A "Conditional" Liberalization**

In Brazil, trade opening began in the 1990s.<sup>5</sup> The military regime that governed for more than two decades applied a developmentalist policy and created an industrial momentum that made Brazil the region's main source of manufactures and industrial goods.

President Fernando Collor de Mello presented the liberalization strategy as a solution to the financial problems arising from the external debt. With no party ties or links to Brazil's industrial elite, and supported by the results of a referendum, he embarked on an abrupt and wholesale opening whose goal, like that of Menem in Argentina, was to demonstrate his will to change. The strategy combined unilateral opening with negotiations at several levels, and the results were swift: the average tariff fell from 35.5 percent to 13.5 percent and para-tariff barriers were lowered.

The sectors affected by the changes were not slow to react, and Collor was forced from office following impeachment in the third year of his term.

After his fall, the opening was rolled back and tariffs were raised. The new government of Fernando Henrique Cardoso laid the ground for a consensus on “conditional opening” that sought to protect national industry but demanded that it be more competitive in order to reintegrate Brazil into the international economy (Motta Veiga, 2000).

Within this strategy, Mercosur was far from a threat; indeed, it was a launch pad for negotiations in asymmetrical fora (FTAA, EU, WTO). Negotiations with the other three member states revealed Brazil’s superiority in protecting its own interests and industrial sectors (Motta Veiga, Bouzas, and Torrent, 2002). Thus the staggered common external tariff came to protect Brazil’s productive structure, imposing high tariffs on capital goods and information technology products in order to provide protection against third parties<sup>6</sup> (see appendix 3.1). For Brazil, however, the priority and prime challenge was the multilateral negotiations in the WTO. Brazil and India have become undisputed referents of the developing world in the current discussion of the reduced Doha Agenda (Hong Kong and the 2004 Work Program). In these negotiations the developing countries demand, in exchange for concessions on nonagricultural market access (NAMA) and services, that the developed countries finally eliminate their agricultural subsidies.

As regards the public-private relationship, the novelties introduced by Mercosur mainly involve changes in the state’s institutional and bureaucratic structure. Until Mercosur was created, trade negotiations were monopolized by the Foreign Ministry (also known as Itamaraty), which had a very professional, enclosed, and small staff of negotiators entrusted with defining the fine print of the national interest. Mercosur broke this tradition by bringing representatives of other ministries and agencies (basically Development, Treasury, Agriculture) into the negotiations. The WTO negotiations had a similar effect in terms of linking the private sector’s expertise, essentially in the area of agribusiness. Past negotiations for the FTAA, and the current talks with the EU, have obliged the governments to include the unions and Congress in the debate (see appendix 3.4).

The inclusion of each new actor (public or private) in these discussions requires greater interministerial coordination. To that end, and for the purposes of the Mercosur negotiations, Brazil set up the Chamber of External Trade (CAMEX), an organization that reports to the Ministry of Development, Industry, and Foreign Trade and that brings together the Ministries of the Interior, Foreign Affairs, the Economy, Agriculture, and Planning, as well as some business sectors. Later, as a result of the FTAA negotiations, the government set up within Itamaraty a channel for dialogue with the main chambers of commerce, such as the National Chamber of Industry (CNI), the Federation of Industries of São Paulo State (FIESP)—and parts of civil society, such as the unions in the Single Workers’ Central (CUT) (Botelho et al, 1999). This channel is called SENALCA, and its structure is reproduced in the negotiations with the EU but with the name of SENEUROPA.

## 2. NATIONAL CASES

To describe the link between research and decision making in each of the national cases, we will use the categories proposed by authors such as Regonini (1992) and Brunner and Sunkel (1993), who argue that for knowledge to have a satisfactory outcome it must not only be produced. There must also be channels for its expression, a willingness to use it, and a possibility of its being used. In this respect, the questions we try to answer in each of the national cases are: Which actors produce knowledge on these issues? How are they financed? What kind of studies/approaches take primacy? How is the knowledge conveyed to decision makers? How do they use it? With these matters clarified, the chapter proceeds to indicate the similarities and differences in the links between think tanks and decision makers in each country, so as to assess whether there is a regional pattern of production-linkage-use.

### 2.1. Chilean Think Tanks: A Successful Apprenticeship<sup>7</sup>

Before describing research and decision making under Chile's democratic governments,<sup>8</sup> we will briefly review the links between the two during the military regime. That was when the decision was made to adopt a new trade policy, one that would outlive the dictatorship and be maintained by successive democratic governments.

As in the rest of Latin America, the grand themes and ideas that justified the neoliberal model were imported from the leading centers of power and business. In Chile, where trade liberalization preceded the Washington Consensus, liberal prescriptions were brought and applied dogmatically by the Chicago Boys.<sup>9</sup> In this context, where the authoritarian government took over the universities and the political parties, critical research that argued against the neoliberal model was confined to research centers financed by foreign foundations, and limited itself to making timid policy recommendations in markedly defensive tones.

#### 2.1.a. *Who Does Research and How Is It Funded?*

With the return to democracy, there was a shift in the locus and capacity of local research. Many academics returned from abroad, and the universities recovered their central role in knowledge production and critical debate. But there was a significant exodus toward the state when renowned academics and researchers sought elective office in Congress and/or became officials in the new government.

Production came to be financed mainly by the government, which understood that this was a priority issue for the public debate. The financing was provided through two channels that were not necessarily connected. On the one hand, more academic and university research was financed by the National Commission for Scientific and Technological Research

(CONICYT). On the other, research was undertaken or commissioned by the ministries taking part in the negotiations; this, unlike the former kind of research, focused on specific issues stemming from immediate daily needs.

This state-centrist pattern of production persisted, albeit with some changes. The first democratic administration hired renowned academics or partisan think tanks to produce particular consultancy studies. The next administration, by contrast, led by the socialist Ricardo Lagos, preferred to incorporate knowledge and professionalize the experience within the government itself, thereby giving stability to technical specialists from the previous administration and introducing others under DIRECON (Frohmann, 2004). Over time, the sources of financing and the areas of production were diversified. In addition to financing from the national budget, the country received technical cooperation through asymmetrical agreements (Canada, the United States, and the EU), as well as from international organizations, all of these resources being managed by the state (see Table 3.2).

Table 3.2 Characteristics of Chile's In-House Think Tank

<i>General Directorate of International Economic Relations (DIRECON)</i>	
History	Created during the Pinochet regime but consolidated as an agency responsible for external trade policy under the Concertación Democrática government. At present, its role is to negotiate and promote the deepening of international economic and trade agreements, following up on the decisions of the Interministerial Committee on International Economic Agreements. The latter comprises the Foreign Ministry, Treasury, the Economy Ministry, SEGPRES, and Agriculture. In light of the priority that the government gives to this policy, it is considered a superministry.
Structure and organization	Reports to the Foreign Ministry and is organized as follows. A director general is in charge of three directorates and departments, with a cabinet, an advisory office to the general directorate, communications, internal audit, and a project execution unit for an IDB program. The bilateral directorate is divided into market access, coordination of the management of agreements, Latin America, Europe, Africa and the Middle East, Asia and Oceania, North America, and trade defense. The multilateral directorate has agencies devoted to APEC, the WTO, the OECD, trade and sustainable development, services, investment and air transport, and intellectual property.
Human and financial resources	Most of the numerous technical staff are experts in economics. Material resources come directly from the government, with IDB support for its activities.
Production	Mostly projections and econometric studies, impact assessments, and so on, using the methodologies of the discipline. It also produces sectoral studies (specifically, on Chilean export products).

Source: Prepared by the author on the basis of Aninat and Botto (2005), <http://www.direcon.cl> and [www.direcon-prochile.cl](http://www.direcon-prochile.cl).

For their part, the chambers of business provide funds to commission studies on issues of interest to them. The participation of agro-export chambers and firms with interests abroad, especially SOFOFA, has been professionalized. Initially their participation consisted merely of their presence and was confined to the expression of their sectoral demands through the “adjoining room.” But now their technical capacity and ability to make proposals has been boosted by external consultancies or the establishment of their own research teams, which provide the negotiators with relevant information to strengthen their positions in international fora relative to other national groups and actors (see Table 3.3). In this competition, even some of the powerful and traditional business associations, such as the National Agricultural Society, have lost ground because of a lack of studies and data to back up their views.

Table 3.3 Chilean Private Sector Think Tank

<i>Industrial Promotion Society (SOFOFA)</i>	
History	Founded on 7 October 1883. Represents Chile’s industrial sector. From the outset it has recognized the importance of knowledge: in 1897 it created the Trade Institute, and in 1883 it began to create a statistical record of the country’s manufacturing industry. The report was published in the society’s bulletins from June 1895 onwards. In 1925 it laid the groundwork for the decree law on intellectual property. Today it is a preferred interlocutor with the government. It brings together the most powerful entrepreneurs with interests abroad, essentially services and commodities firms.
Structure and organization	As regards its legal status, it is a nonprofit business federation that brings together 80 percent of the firms in the industrial sector: about 2,500 companies, forty-six sectoral associations, and eight regional affiliates, represented by the industrial associations of Arica, Antofagasta, Valparaíso, Curicó, Talca, Concepción, Malleco-Cautín and Valdivia. These firms account for 30 percent of the country’s GDP. As to its internal organization, it has a directing board, an executive committee, an executive body, a general council (with honorary and merit counselors), elective counselors, and business counselors.
Human and financial resources	The staff comprises graduates specializing in foreign trade and economists, most of who have done graduate study in the United States. Its financing comes from the dues of the member associations and industries.
Production	At present it provides the Foreign Ministry with studies and analysis of how the sector works; develops and promotes sectoral negotiations with business chambers and firms from other countries with a view to opening new markets; advises its members on a number of tax, labor, customs and foreign trade, environmental, and regulatory matters, among other issues; and trains its members on corporate social responsibility.

Source: Prepared by the author on the basis of [www.sofofa.cl](http://www.sofofa.cl).

The same is true of civil society actors such as NGOs and unions, which very recently have been included in the debate on these issues. Their training activities mainly focus on coaching staff and networking, activities that are financed by international networks and foundations. Normally, they do less research. Though they take part in the dialogue with the government, their opinions are not heeded and most often they are considered to be of little relevance because they lack the data to back them up.

### 2.1.b. What Kind of Studies Are Most Common?

To answer this question, we grouped academic output into five main categories: theoretical work, which explores paradigm shifts and the development model; studies of strategy and alternative negotiating scenarios, which cover a wide range of analytical methods (*ex post* or *ex ante* impact; comparative analysis; macroeconomic or micro approaches); and technical analyses of current conditions. With this classification in hand, the information was collected, and in the Chilean case, two methods were used: interviews with researchers and decision makers; and analysis of 250 publications issued between 1976 and 2004.

The great majority of the interviewees agree that there were more strategy studies than any other kind (see Table 3.4). Nonetheless, in Chile the issues addressed in the strategy studies and the approach they take have

Table 3.4 Type of Publication by Institution in Chile

Source	Theoretical	Impact Studies	Technical
University of Chile	3	15	2
Catholic University	13	31	4
Others	1	–	–
Research Corporation for Latin America	5	43	8
Center for Development Studies	–	6	4
Latin America Center of International Economics and Politics Internacional	–	1	–
Latin American Institute of Transnational Studies	–	2	4
Center of Public Studies	–	2	–
Others	1	78	15
TOTAL	23	183	37

Source: Prepared by the author.

changed over time. In the 1990s the main concern was macroeconomic equilibrium. Once that was attained, in 2000 interest shifted to the trade impact of the various negotiating scenarios for the economy in general and for certain productive sectors in particular. At present, by contrast, macroeconomic impact studies have given way to analysis of micro matters in which there are two main concerns: the impact of the negotiations on the new issues of the economic agenda (investment and infrastructure); and the social impact of integration in terms of income distribution and the environment. These changes prompt the conclusion that there has been a learning process in which production is linked to the challenges posed by the ever-forward progress of the chosen strategy.

It is not only public research output that is geared to the strategy, but also private output. Recent studies financed by the business sector focus on the export promotion impact of the preferential agreements. The choice of issue, obviously, depends on the sector and on the interests of its representatives.

Analysis of the publications corroborates the foregoing, and sheds light on other aspects of research output. First, most of the studies are about the impact of the negotiations. These far outstrip the number of policy studies and purely descriptive documents. Second, almost all of the theoretical studies are produced in academia, most particularly in state universities such as the University of Chile and the Catholic University, both of which are public. In the private universities, by contrast, output on these issues is sporadic and limited. Certain individuals stand out in this regard, but teamwork and quality are in short supply.

### *2.1.c. How are the Findings Conveyed to Decision Makers?*

Only exceptionally does expert knowledge or research findings reach the negotiators in the form of a book or an academic publication. Such media require two things that are in short supply: time and availability. This is why the negotiators prefer personal contacts in formal and/or informal discussions, or the participation of the academic expert in their team of advisers. For the researchers, their main channels for communicating their findings are newspapers and television, where public opinion exerts strong pressure on public officials.

Apart from this characteristic, which is common to all the countries under study here, Chile has two particular features in its researcher–decision maker nexus. The first is the phenomenon of “revolving doors,” whereby there is a constant movement of academics between the private and public spheres. The other is the institutional importance that Chile’s political parties have traditionally had as representatives of different alternatives.

In this respect, during the authoritarian regime and the first democratic administration, the political party opposition included researchers and

experts with differing views of the government's work program. Hence the parties not only became a means of recruiting technical personnel that could be set to work once they won office, but they also nourished expectations of a change in policy. Nonetheless, the alternation of parties in government and the continuance of the negotiating strategy highlighted the parties' loss of capacity to make proposals on these issues.

While policy understood as management remains a source of income and prestige for academics, once they have finished their time in government they do not return to the political party or to public universities. Generally, they set up their own consultancies and sell their expertise, which now stems not only from academic research but also from experience in public administration. These consultancies join a vast market of supply in which the customers are the national government, the private sector, and international organizations.

### *2.1.d. How Do the Negotiators Use the Research?*

The findings of the fieldwork are contradictory in this regard. While researchers think that their work is disregarded by decision makers, negotiators and public officials claim that academic opinion serves as an input to their decisions but, obviously, not the only one. We aim to identify the use made of research and academic expertise, rather than to gauge its impact on decision making.

In that respect we can say that even though academic output and the way it is transferred have changed in terms of form, actors, and intensity, in Chile the use to which research is put has not altered. The government, first, and more recently the private sector, commission and produce impact studies to mediate among different national actors and/or effect change by weakening possible counterarguments.

Thus the main use of research on these matters has been to legitimate the ongoing negotiations and the government's negotiating position, both within the government and in the eyes of the public, thereby surmounting the obstacles that might hinder implementation.

To a lesser extent, research has served to cover new issues and to identify new scenarios or strategies for the negotiating agenda. Research has also been important in identifying technical instruments and inputs to resolve disputes that arise daily during the negotiations. There was less research in this latter regard, however, and it came mostly from in-house think tanks.

## **2.2. Argentine Think Tanks: A Short-Term Agenda**

The proliferation of think tanks in Argentina is related to the democratization process and the need to foster a public debate about the benefits

of structural reform in general, and trade opening in particular. In this respect, around the mid-1980s a series of think tanks were set up or activated with different kinds of businesses (industrial and/or agricultural). Prominent among these is the Foundation for Latin American Economic Research (FIEL), the Mediterranean Foundation (IIERAL), and the Argentine Center for Macroeconomic Studies (CEMA). Foreign trade, however, is not a research priority for these institutions.<sup>10</sup>

Most of the studies on trade negotiations are commissioned by the government or are undertaken in the government think tanks of the ministries taking part in the negotiations: Economy and Foreign Relations. These are the Center for Studies of Production (CEP) and the Center for International Economics (CEI), respectively (see Tables 3.5 and 3.6).

In the Economy Ministry, international negotiations on agricultural market access are led by the agriculture secretariat, which lacks a research center of its own but has a team of officials and technical experts who specialize in the issue.

*Table 3.5* In-House Think Tanks in Argentina: Center for International Economics (CEI)

<i>CEI</i>	
History	Its background lies in the negotiations for the Economic Integration and Cooperation Program (PICE) between Argentina and Brazil. Its ideologue, Carlos Bruno, adviser to Vice-Minister Romero, proposed forming an ad hoc group to provide input to decision makers working on international negotiations. An academic, Daniel Chudnovsky, was entrusted with putting this into effect. During Cavallo's time as Foreign Minister, the financial resources were put in the hands of the Mediterranean Foundation. The CEI was institutionalized only in the 1990s under Guadagni, deputy to Foreign Minister Di Tella.
Structure and organization	Reports to the Secretariat of Trade and International Economic Relations of the Foreign Ministry. It has a director, two coordinators, nine researchers, and two research assistants. It also has a librarian and an administrative assistant.
Human and financial resources	Most of the staff are economists. Its funding comes from the Secretariat to which it belongs, but it also receives funds from international organizations such as the UNDP and the IDB to conduct and commission research.
Production	The staff carry out impact analyses of different negotiating scenarios, statistical databases, studies of current conditions, and the design of trade promotion instruments. It uses a quantitative methodology (computable general equilibrium, trade indicators analysis, partial equilibrium).

*Source:* Prepared by the author on the basis of interviews with public officials and [www.mrecic.gov.ar](http://www.mrecic.gov.ar).

*Table 3.6* In-House Think Tanks in Argentina: Center for Studies of Production (CEP)

<i>CEP</i>	
History	Created in 1996 by Alieto Guadagni, then Secretary of Industry, with the aim of reproducing the CEP's experience in the Economy Ministry. Pablo Goldín was its first director.
Structure and organization	Operates within the Economy Ministry's Secretariat of Industry, Trade, and SMEs. It has a director, a chief economist, six economists, and two assistants
Human and financial resources	The staff comprises academics with a background in economics. Most of its financing comes from the UNDP and the IDB, although at present it also receives resources from the ministerial budget.
Production	To offer technical support to those acting for the government, it produces studies of current conditions and of economic and trade performance, as well as statistical databases and indicators. Its methodology is similar to that of its counterpart in the Foreign Ministry, though its impact assessments are sector-specific.

*Source:* Prepared by the author on the basis of interviews and [www.industria.gov.ar/cep](http://www.industria.gov.ar/cep).

In addition to the research undertaken in their in-house think tanks, these ministries commission studies and services from private research centers or universities, depending on the issue at hand (see Chapter 6, by Botto and Quiliconi). The main centers consulted have been FIEL, the Studies Center for Technological Innovation (CENIT), the Mediterranean Foundation, the Latin American Faculty of Social Sciences (FLACSO), the Economics Faculty at the University of Buenos Aires, and the International Studies Center of the Torcuato Di Tella University (UTDT).

The way research works are committed has changed over time. Initially it depended on the assessment and personal feelings of the official in charge; at present, by contrast, there are competitions and public tenders. This takes us back to the issue of financing and the role of international organizations. In Argentina, most of the research commissioned and/or undertaken through the Science and Technology Secretariat (SECyT) is financed with international cooperation funds (UNDP, assistance from developed countries) or with credits from international lending institutions (IDB, World Bank).

The private sector, essentially that represented by the business chambers, does not normally engage in research. It does take part in the process by advising the negotiators of its positions and/or the sector's demands on one or another negotiation or scenario, but its participation is defensive and it makes few proposals. This level of participation is explained by two of the sector's characteristics: first, it is markedly fragmented; and second, it lacks human and financial resources in the area of international negotiations, and prefers to prioritize the issues on the domestic agenda.

The exceptions to this rule are some companies—such as Techint, Perez Compan, and others—that have acquired a regional export profile.

In recent years, some of the business chambers with noticeably offensive interests have become professionalized. This is true of the Petrochemical Chamber of Argentina and the Institute of International Agricultural Negotiations (INAI). The latter was set up because business associations in the cereals sector wanted to be kept informed and exert reasoned pressure on the negotiators (see Table 3.7).

Civil society, through trade unions and NGOs, has begun to take an interest in trade negotiations as a result of Mercosur's regional integration process and of participation in transnational networks set up because of the asymmetrical negotiations (the FTAA and talks with the EU) (Botto, 2004). This participation, however, is incipient; civil society's capacity to make proposals is constrained by a lack of information and the extremely technical nature of the negotiations. In this respect, these organizations' academic activities are mainly in the areas of training and networks, and most of them are financed by foundations and counterparts abroad, especially in the North.

### 2.2.a. What Kind of Studies Are Most Common?

As regards the research undertaken and studies published on trade policy in Argentina, most are impact studies on current (*ex post*) or future (*ex ante*) negotiating scenarios. These are followed by a much smaller number of studies on contingent aspects of the negotiations, covering technical matters such as tariff levels or policy issues such as comparative and legal

Table 3.7 Sectoral Think Tank in Argentina

<i>Institute of International Agricultural Negotiations (INAI)</i>	
History	Created by the Rosario Chamber of Commerce and the Chambers of Cereals of Bahia Blanca and Buenos Aires. Its current director, Dr. Ernesto Liboreiro, who has a background in international organizations, proposed the idea on the eve of the Millennium Round (2000). Its goal is to strengthen the capacity of the cereals/oil products sector to make proposals in the negotiations. New sectors joined later.
Structure and organization	At present it comprises the four founding chambers, the Federation of Business Centers for Cereal Grain Brokers, the Argentine Chamber of the Oil Products Industry (CIARA), the Center for Cereals Exporters, and the Córdoba Chamber of Cereals. These chambers form a council, which determines the research guidelines.
Resources	The research staff consists of the director and four researchers, most of whom are economists. It is financed by its member chambers.
Production	The studies focus on present and future negotiating scenarios, and seek to identify opportunities for successful market access on the part of the sector. The findings have a twofold objective: to give input to the sector and to promote a public-private linkage with the negotiators.

Source: Prepared by the author on the basis of interviews and [www.inai.org.ar](http://www.inai.org.ar).

analysis of the negotiations. Most of this work is carried out by the technical specialists among the negotiating teams, with the participation and/or collaboration of the in-house think tanks. The kind of theoretical studies prepared in academic institutions are virtually nonexistent, and they seldom reach decision makers, remaining confined to academic discussion.

As regards impact studies, CEI and CEP are clear leaders, not only in the number of studies but also in terms of their methodological development. The methodology is wholly quantitative, and the focus is exclusively on economic (trade) effects. They use computable general equilibrium methods, trade indicators analysis, and partial equilibrium (Berrettoni, Cicowiez, and Galperín, 2006).<sup>11</sup> The main difference in the analyses of CEI and CEP is the focus of study: while the Foreign Ministry carries out impact studies on negotiating scenarios (opportunities and disadvantages of the FTAA relative to the agreement with the EU), the Agriculture Secretariat seeks to identify the opportunities and challenges for a particular sector. For its part, CEP focuses on production and domestic issues (investment), and in some negotiations, such as those within Mercosur, has commissioned impact studies on specific sectors such as meat, SMEs, and so on (see Chapter 6, by Botto and Quiliconi). To a large extent, the studies produced by private centers follow the approaches and methodology used in the government sphere. This is largely explained by the notion of “he who pays the piper calls the tune.”

### *2.2.b. How Are the Findings Conveyed to Decision Makers?*

In the interviews conducted for this study, academics and decision makers agreed that the link between knowledge and decision making is forged not by the commissioning of studies but by personal contacts. The main means of contact chosen by decision makers are meetings (seminars, consultations, training, and so on). In second place is the inclusion of individuals in government structures. Only in third place is a circumstance when a research study requested or commissioned.

As in Chile, academics’ access to the decision-making level is highly permeable. The interviews revealed that there is a “revolving door” in Argentina, whereby a significant number of first- and second-tier officials come from academia. Once their time in government is over, they return to university life or set up their own research centers or consultancies, with the advantage of their new knowledge and experience. In contrast to what happens in Chile, however, academics’ access to the public administration is not a result of their adherence to a political party or ideology; it owes more to personal characteristics, especially professional prestige and/or links with particular interest groups.

### *2.2.c. How Do the Negotiators Use the Research?*

To answer this question, we have to distinguish between the different kinds of studies. The technical reports affect decisions in terms of the proposals

those reports make, but the scope is limited to contingencies and they do not influence medium- or long-term scenarios. As mentioned earlier, most of the impact studies are produced by in-house and private think tanks, and these too are not used to devise strategies or identify medium- and long-term scenarios. Both the government and private actors use them to legitimate the official negotiating position in the eyes of the public, or to convey the private actors' opinions to decision makers.

Most of the interviewees maintained that it was hard to use research to make proposals because of institutional factors, such as the lack of linkages between agencies, as well as turnover among decision-making personnel and technical specialists.

The lack of coordination among the ministries and the various government agencies has adverse effects on the decision-making process. As regards the production, communication, and use of the research, the Argentine case shows that similar studies and recurrent scenarios tend to proliferate and overlap, and that the communication process is truncated—with the result that the results reach some decision makers but only within the ministry itself.

With respect to job stability among officials, the long history of political prohibition and the recent reform of the state have spurred turnover in the state bureaucracy. This hampers the accumulation of institutional memory and the medium-term training of technical and political officials. The experience acquired departs with the individual, and thus the time needed to produce and communicate research moves very slowly relative to the length of a presidential term.

These effects are exacerbated by the lack of consensus among government elites regarding a shift toward economic opening and the chosen negotiating strategy. Though it is hard to oppose opening, there are still differences over the strategy. These different outlooks often go beyond the confines of government. The Carlos Menem administration (1989–2000) was emblematic in this respect. The absence of presidential leadership on the issue was aggravated by the opposing positions of an Economy Minister who supported an agreement with the United States and a Foreign Minister who negotiated closer integration with Brazil (see Chapter 6, by Botto and Quiliconi).

### **2.3. Brazilian Think Tanks: An Endogamic Relationship**

Unlike Argentina and Chile, in Brazil the management of international policy and the task of establishing its guidelines have traditionally been concentrated among the highly professional officials of Itamaraty. Their isolation from other ministries, as well as from other centers for debate and knowledge production, has been justified on the grounds of national defense and geopolitical leadership in the region. In a context of increasing globalization, however, when the economy is internationalized and international networks nationalize their activities, it seems that the situation is starting to change.

### *2.3.a. Who Does Research and How Is It Funded?*

In the 1990s, the production of trade policy studies and the exchange of ideas on the issue expanded from Itamaraty to new ministries and public agencies. At the same time, production diversified toward private actors, especially entrepreneurs and, to a lesser extent, universities, trade unions, and NGOs. In the public sphere, Itamaraty<sup>12</sup> retains its leadership in the production of inputs for negotiations. Those inputs, however, spring from the accumulated experience and training of the negotiators during their career, rather than from research studies produced or commissioned.

The innovation comes from the Ministries of Planning, Budget, and Management, of Development, of Trade and Industry, and of Agriculture. These have gradually been added to the negotiations. Other ministries or state agencies take part to a lesser degree, such as the Justice Ministry and the legislature. Given the lack of trained officials in these new issues, the ministries have hired specialists and consultants to produce the inputs needed to establish a position in the negotiations. Nonetheless, differences persist. In the Planning Ministry, research is carried out by in-house think tanks such as the Institute of Applied Economic Research (IPEA) (see Table 3.8). In the others, private Brazilian or foreign consultants are often used.

Among private actors, the business sector makes the biggest contribution to the negotiations through research and articles. In recent years there has been a proliferation of think tanks linked mainly to the industrial sector, though there are also some in agribusiness and the financial sector. Obviously, not all sectors have set up their own centers, but rather those with the greatest lobbying power, such as CNI, FIESP, and the banking and financial sector. The most important research centers are the Foreign Trade Studies Center Foundation (FUNCEX), the Center for Integration and Development Studies (CINDES), and the Getulio Vargas Foundation. These centers are mostly concerned with research, training their members, and promoting public-private linkages. Although there are more research centers linked to industry, agribusiness has acquired greater access to Itamaraty's negotiators (see Table 3.9). This is because the sector has a pro-liberalization position as a result of its interest in the multilateral forum, in which it shares a geopolitical interest with the government.

Public universities, by contrast, with few exceptions, are at the margins of government management of the trade negotiations. Financed with public resources, mainly from the National Council of Scientific and Technological Development (CNPq), their professors lack a particular incentive to link their interests with those of the administration and affect public policies, at least on this issue. The exception is the University of Brasilia. Through its Center for Advanced Multidisciplinary Studies (CEAM), and thanks to its physical proximity and academic background, it is often consulted by policy makers and disseminates its research findings through "Cadernos" (Gomes Saraiva, 2004).

Table 3.8 In-House Think Tank in Brazil

<i>Institute of Applied Economic Research (IPEA)</i>	
History	Created in 1964, it was originally called the Office for Applied Economic Research and comprised highly qualified Brazilian specialists and foreign consultants under the coordination of the Ministry of Planning. In 1990, by means of decree 99.260, it came to be known as the Institute of Applied Economic Research with a mission to provide technical and institutional support to the government.
Structure and organization	It is a federal public foundation with organizational links to the Ministry of Planning, Budget, and Management. It has a president and six departments (cooperation and development; macroeconomic studies; social studies; administration and finance; sectoral studies; regional and urban studies).
Human and financial resources	It has a total of five hundred researchers, of whom half have postgraduate qualifications in each of the aforementioned areas (economics, social sciences, administration, and finance). It is financed by the public sector but it also cooperates with national and international institutions. At the national level, it has created the IPEA Knowledge Network (RIC). This has twenty-six members, including universities, foundations, and think tanks. Its partners include the Brazilian Institute of Geography and Statistics (IBGE), the Federal Economic Savings Institution (CAIXA), the National Bank for Economic and Social Development (BNDES), the National Council on Scientific and Technological Development (CNPq), and others. At the international level it cooperates with the IDB/IPEA Network Program, ECLAC, UNDP, the Costa Rican National Council of Rectors (CONARE), Japan's Institute of Developing Economies (IDE), the Korean Development Institute (KDI), China's Development Research Centre (DRC), and others.
Production	Its mission is to produce studies, analysis, and research on economic and social issues. Specifically, in the area of macroeconomics, it produces studies of current conditions, markets and regulatory matters, finance, foreign trade and trade policy, using macroeconomic models, general equilibrium models, and econometric techniques. The other studies focus on analyses of public policies, social policies and living conditions, output, technology, and innovation, among others.

Source: Prepared by the author on the basis of [www.ipea.gov.br](http://www.ipea.gov.br).

### 2.3.b. What Kind of Studies Are Most Common?

There is a clear division of labor between what is produced in the public sphere and the output of private research centers. In the former, the negotiators themselves produce more technical studies and analyses of scenarios and strategies. In government centers such as IPEA, the research focuses on macroeconomic impact studies, market analysis, and the construction of statistical and economic databases associated with trade negotiations or integration.

Table 3.9 Private Think Tank in Brazil

<i>Institute for Trade and International Negotiations Studies (ICONE)</i>	
History	Founded in 2003 to support the negotiations on agribusiness. The initiative originated with and was supported by seven private bodies.
Structure and organization	The member organizations are export oriented. The founder is the Brazilian Agribusiness Association (ABAG), led by the vegetable oil industry (ABIOVE) and chicken producers (ABEF). Other members are the Brazilian Association of Meat Exporting Industries (ABIEC), the Brazilian Association of Pork Producers and Exporters (ABIPECS), the Federation of Industries of São Paulo State (FIESP), and the São Paulo State Union of the Sugarcane Industry (UNICA).
Resources	It has a fixed and multidisciplinary team of researchers and takes part in academic networks. It is financed by its member organizations, private companies, international organizations, and other NGOs.
Production	It carries out consultancy work for private firms. These are generally technical, research, and negotiating strategy studies. It also links and mediates the public-private dialogue (business and academia).

Source: Prepared by the author on the basis of [www.iconebrasil.org.br](http://www.iconebrasil.org.br).

The private research centers generally specialize in research and impact studies (*ex post* or *ex ante*) of the various scenarios or negotiating fora. The aim is to identify the niche opportunities that such agreements could create for the productive sector in question, or to provide grounds for an argument about costs in discussions with government negotiators and thereby induce a change in strategy. FUNCEX, for example, prepares and distributes sectoral studies on the main aspects of import-export activities. It also engages in support and training activities (technical and administrative) for firms, and publishes and distributes documents and reports.

In many cases these think tanks have broadened their research agendas to cover other academic services, with a view to diversifying their sources of financing and of social legitimacy. These services include collecting information on and analyzing other countries' negotiating agendas, as well as the development of their trade policies; and facilitating public-private dialogue through seminars and workshops. This is the case of ICONE, for example, which seeks to improve the country's bargaining position in the multilateral agricultural negotiations by acting as a link between entrepreneurs and the government. Another example is the Getulio Vargas Foundation, which brings together civil society actors (environmentalists and unions).

University researchers have recently and incipiently become involved in the debate on trade negotiations. They do so with a more theoretical and comprehensive vision, one that questions how the governments

manage these policies, “isolating them from the regional integration process and excluding non-business actors and the citizenry” (see Chapter 2, by Ventura).

### *2.3.c. How Are the Findings Conveyed to Decision Makers?*

As mentioned earlier, the Brazilian model of knowledge production is enclosed and endogamic. Applied research is mainly undertaken in the public sphere, and input from the private sphere faces serious obstacles in reaching decision makers. Of all the ministries, Itamaraty is the most closed. Its officials create their own inputs and seldom link up with the in-house think tanks or private research centers. The other ministries are more permeable and less self-sufficient. To offset the lack of experienced personnel or expertise on these issues, they use their own think tanks for ad hoc research and, very occasionally, they hire external consultants or research centers.

The public-private linkage in Brazil is essentially forged by meetings and personal contacts, through which private actors spontaneously present the findings of their research to negotiators or public decision makers. The success of these channels of consultation largely depends on the predisposition of the officials and the extent to which the arena for consultation has been institutionalized.

In this regard, some important changes were made for the purposes of the asymmetrical negotiations, such as those for the FTAA and the Mercosur-EU talks. To improve Brazil’s bargaining position in each of these fora, Itamaraty created two formal channels for dialogue with private actors (SENALCA and SENEUROPA). But they continued only for as long as the negotiations. In these arenas, the participation of the private actors was not equitable: business corporations and labor organizations predominated and expressed their views orally. Only a few chambers of commerce sent research findings along with their requests. This was the case of the Getulio Vargas Foundation’s impact assessment of the FTAA, which was presented in SENALCA in 2001.

In this case too, as in Argentina and Chile, independent researchers ensure that the mass media—television and the press—have become another means for the negotiators to access research.<sup>13</sup> In the researchers’ view, this is because of politicians’ growing dependence on the public mood.

### *2.3.d. How Do the Negotiators Use the Research?*

Two conclusions can be drawn from the preceding pages. The strategic studies (impacts, scenarios) comprise only one of the elements that nourish the negotiating position, and they are far from the most important.

In terms of proposals, the most influential knowledge is still that produced by the state. Even when the negotiators hire researchers and ask them

for information, they carry little weight when it comes to taking decisions (see Chapter 6, by Botto and Quiliconi). Itamaraty's vision dominates that of the other ministries, the result of different skills: technical information + acquired knowledge + prior experience. Though there is an organization like CAMEX to link up the outlooks and positions of the various ministries, at present the coordination is far from efficient.

As regards validation or legitimation, knowledge has an important place for both the public and private actors. For the negotiators, the potential of academia lies in its capacity to mobilize the various sectors of society, strengthening their bargaining position in the different fora, as in the last stretch of the FTAA discussions. For the private sector, research offers a socially recognized backing that strengthens its position relative to other social actors in the eyes of both the public and the decision makers.

### 3. COMPARISON OF THE THREE NATIONAL CASES

The political and economic contexts facing the first democratic governments differed greatly from each other. In Chile, the Concertación government faced a smooth path. Apart from inflation, the economy was in order and the country had a low level of indebtedness. In trade terms, the opening sustained over three decades had given rise to an economy that accorded priority to primary products and had a very low tariff.

In Brazil, the Collor de Mello administration faced a very different situation: a highly protected economy based on industrial output but with a severe fiscal deficit. Despite these differences, both economies continued to be consolidated over time.

Argentina was at the other extreme in this respect. Since the late 1950s, economic policies have swung between liberalism and heterodox protectionism. The last dictatorship pursued both poles of the fluctuation: In the beginning it undertook an indiscriminate opening that, as in Chile, sought to finish with the last vestige of national industry. In its later years, however, the government discretionally reintroduced protectionist measures that in some cases were stricter than at the start. Thus the first democratic government faced an economy in deficit, as well as a chaotic and irrational tariff structure in which protection was distributed in line with the strength of the lobbying capacity of the sector and/or the criterion of the official in charge.

The three democratic governments reacted differently to this inheritance. In Chile the government opted for opening; in Brazil the early steps were toward indiscriminate opening, which then turned toward a conditional liberalization; and in Argentina, the opening was and largely continues to be meandering.

There may be many and varied reasons for the options chosen in each case, such as external pressure, internal pressure (lobbying), the personal decision of the official in charge, or empirical evidence supplied by research.

The literature on policy making, however, indicates that none of these factors appeared in isolation. Rather, they combined with others in various proportions depending on national peculiarities or the issue at hand. Our interest in this final section is to assess the importance of think tanks in these decisions, as producers and transmitters of knowledge.

A comparison of the three case studies seems to reveal a regional pattern in which research and academia remains endogamic on these issues and has a secondary role in decision making. Nonetheless, the analysis also sheds light on the emergence of differences among the three countries. To capture this contrast, we will analyze the similarities and differences at each stage of the process in terms of the production, transfer, and use of research.

### **3.1. Production**

As regards similarities, three features stand out. The first concerns the hegemony of in-house arrangements in the production of inputs for the negotiations. Government leadership is evident not only in the number of studies produced or commissioned, but also in the methodology used and the focus of the analysis.

The second common denominator is that the research is mainly government financed, either with national resources or with government-managed funding from international organizations. Private actors, by contrast, produce little and devote scant resources to financing research.

The third similarity concerns the kind of studies produced on external trade policy, especially on trade negotiations. We refer here to impact studies, which identify the advantages and disadvantages of each of the trade talks. While there are different forms and approaches (general or sectoral; *ex ante* or *ex post*), in the period under analysis here (1990s–2000), the preferred approach was economic, and no progress was made on other issues in the negotiations (such as social matters).

As regards the main differences between the three countries, in the area of production it is apparent that, in Argentina, most of the financing for these kinds of studies was external and came from the UNDP, the IDB, and international cooperation, especially from the EU. In the Chilean case, for its part, there are differences with the others in terms of the analytical focus of the impact assessments. In effect, the research agenda has been expanding to cover nontariff and nontrade issues as different stages of the opening process have been completed and the country has faced new negotiating challenges.

### **3.2. Knowledge Transfer**

In this area the differences between the countries are wider, and indeed more pronounced than the similarities. Two patterns of knowledge transfer are evident in the Southern Cone. In one there is a marked rotation of

knowledge between the public and private spheres, fostered by the “revolving door” phenomenon. With slight differences, this pattern characterizes the links between researchers and decision makers in Argentina and Chile. The other is a system in which the linkage is weak and mainly evident in the sporadic exchange of knowledge through personal contacts between researchers and negotiators before or after external negotiations. This is the pattern in Brazil, where the linkage is essentially established in meetings arranged by the government or promoted by private actors.

In effect, there are three traditional channels through which the knowledge produced in the private sphere is communicated to the decision makers. The first is by including consultants/experts among staff of the public administration; the second is through the commissioning of ad hoc research; and the third stems from personal contact in meetings, seminars, training courses, and so on.

The “revolving door” system in Argentina and Chile is the first of these channels. Knowledge, the personal assets of the academics and/or consultants, reaches decision makers through their inclusion in government. Strictly speaking there is not a revolving-door system because the academics leave a university or research center to join the public administration, but once their time in government is over it is hard for them to return to academia, which gives primacy to teaching and training. Normally they set up their own consultancies wherein they offer academic and technical services to governments or international organizations.

Nonetheless, there is a difference between Argentina and Chile in this regard as a result of each country’s political tradition. In Chile, the decision to include one or another academic in the administration has traditionally been related to their ideological affinity with and membership in the governing party. In Argentina, the selection criteria are essentially personal and largely depend on the individuals’ prestige or links to particular groups or lobbies.

As to the second channel, the commissioning of research, only Argentina takes this approach, sometimes abusively. In Chile, over time, there has been a learning process. As in Argentina, the Concertación government chose to commission services from think tanks associated with different sectors and parties. The socialist governments, by contrast, have preferred to include the researchers in the government structure so as to help capacity building within the institutions. Brazil’s government uses external consultants only rarely; if it needs studies, it prefers to use government think tanks.

With regard to the last of the channels, meetings and informal dialogue, all three governments prefer this approach and use it continually. In such spheres, private actors spontaneously present their research findings. The main differences lie in the extent to which these fora are institutionalized (Botto, 2004). Apart from the linkages fostered by governments, in all three cases the academics recognize the growing importance of their presence in the mass media as a means of preferential access to decision makers.

### 3.3. Use

Thus we arrive at the end of the process, the stage in which we assess what use is made of knowledge and what influence it has in its different forms (acquired or produced) on trade policy decision making in the three countries. In this respect there are more similarities among the three.

Independently of the kind of analysis (impact study, scenarios, and so on), research is used as one more component of the decision-making process, and it is by no means the most important. Knowledge based on the analysis of data is blended with other forms of learning (training, experience, intuition, interests). This knowledge serves, above all, to confront data with preexisting viewpoints and positions or common sense, but it is far from opening up new horizons.

These constraints are related to the type and scope of the studies themselves. Both the impact assessments and the technical studies confine themselves to providing inputs for a specific negotiation in the context of the immediate needs that arise in the everyday routine of the talks. In this regard there is a significant difference between Chile, on the one hand, and Brazil and Argentina on the other. As mentioned in the section on production, in Chile the issues and approaches of the studies have changed as trade opening has advanced, and in line with the development level of the negotiating partner: the research has gone from impact analyses to sectoral-economic scenarios, and from the latter to social and environmental issues, which is the kind of work that now characterizes the output of Chilean think tanks. In the other two cases, by contrast, the difficulty of advancing with the agreements and with the model of opening gives rise to the production of multiple studies of the same scenarios and the same problems, using the same approaches and without advancing the research agenda by a single step.

The second reason for the academic studies' scant value—in terms of making proposals—is exogenous; it is related to the capacity for initiative that the developed and Asian countries enjoy relative to those in Latin America. Production in Argentina, Brazil, and Chile is confined to responding to offers made from outside, and it is in that response that the governments' energies are depleted. Not even a country like Chile, which has made trade negotiations a priority, invests human and economic resources in the production of medium- and long-term scenarios, an area in which academia could make a greater contribution.

On the contrary, research output in these countries has been reduced to legitimizing role. In Argentina and Brazil, impact assessments are used mainly to reaffirm to the public the importance of continuing with the negotiations. In Chile, by contrast, the way in which the impact studies are used has changed, and they have been geared toward noneconomic variables (environmental and labor related). In Chile too, however, they have helped legitimate the government's stance on these issues.

Because of this legitimizing function, the production of studies and the hiring of academics has been extended to the private arena. The export sector increasingly commissions studies and consultancies to present its outlook not only to the governments but also to civil society and the general public. This is a new feature, and one that is common to all three countries.

As regards the factors that make the transfer of knowledge possible and encourage its use, academics and policy makers share a perspective, reflected in the surveys, whereby matters of production format and the time frames for research are vitally important. If a study is to have any chance of being used by decision makers, the academic author has to eschew technical jargon, produce short reports, and adapt to the timing of the negotiations. These are all factors that transcend the subject matter of trade. In the case of international trade negotiations, these matters of format and timing are joined by the need for a certain ideological compatibility with the government's agenda. Research that contradicts or questions the model of economic opening promoted by the government will be rejected out of hand by the negotiators.

Comparison of the three cases nonetheless reveals differences between Argentina and Brazil in terms of the factors that hamper the use of knowledge. While institutional reasons are prominent in both cases, in Argentina it is the lack of interagency coordination and the instability of medium- and long-term economic policies that constrain the influence of research. In Brazil, by contrast, the difficulties emerge in the previous stage of the process: the communication of the knowledge. Research faces grave difficulties in reaching decision makers and penetrating the enclosed outlook of Itamaraty officials.

#### 4. BY WAY OF CONCLUSION

To return to the original question about the role of academic research in the design and implementation of external trade policy, we can say that the role is minor in terms of making proposals but important in the field of implementing defined policies at the governmental level. Research produced in both the public and private spheres helps implementation by providing the technical inputs needed to effect prior commitments, or by gathering data that serve, in the public debate, to tackle the costs and benefits of the chosen strategy. In the private sphere, the incipient growth in the production of impact studies serves a similar legitimating function, in this case related to the sectoral positions of entrepreneurs.

Overall there is a regional pattern in which the similarities between the countries—in the areas of production and transfer—are greater than the differences. In the area of production, government retains the lead role in terms of the volume of output and in determining the research agenda. As regards knowledge transfer, personal contacts among the “elite” and the mass media are preferentially the indirect means of accessing and influencing decision makers.

With regard to the countries, the main differences are in the area of links between the public and private realms. Chile has the most efficient model: through a long-standing learning process, the country has strengthened public-private dialogue on setting medium- and long-term goals. Moreover, the government's capacity has been strengthened by the inclusion of academics among its ranks and by the state sector's training of private actors.

The experience of the three countries and their learning processes prompt the following conclusions:

- There is an urgent need to coordinate the available public resources—different agencies and ministries—around a common agenda that includes both research and proposals.
- There is a need for a research agenda that focuses on medium- and long-term targets, an agenda in which academia can exercise and develop its capacity to make proposals for policy making.
- It is important to strengthen production among the various private actors through policies of transparency and access to information that democratize the decision-making process.
- The private sector should invest in research and should make its own investment and development policies transparent.

## APPENDIXES

### *Appendix 3.1* Levels of Opening by Year (Chile, Argentina, and Brazil)

<i>Year</i>	<i>Average Tariff</i>		
	<i>CHILE</i>	<i>ARGENTINA</i>	<i>BRAZIL</i>
1987	20	27	51
1988	15	27	41
1989	15	25	35
1990	15	20.5	32.2
1991	11	12.2	25.3
1992	11	11.8	21.2
1993	11	10.9	14.2
1994	11	10.1	11.9
1995	11	10.5	11.1
1996	11	11.2	11.8
1997	11	11.3	12
1998	11	13.5	14.6
1999	10	13.4	14.4
2000	9	12.6	14.1
2001	8	11.8	13.2
2002	7	11.8	13
2003	6	10.8	12

*Source:* Prepared by the author on the basis of WTO data.

## Appendix 3.2 External Negotiations, Chile (1983–2005)

<i>Year</i>	<i>Country or Group Countries</i>	<i>Type of Agreement</i>	<i>Issues Addressed</i>
1993	Bolivia	Economic complementarity agreement	Goods, services, and investment
1993	Colombia	Economic complementarity agreement	Goods, services, and investment
1993	Venezuela	Economic complementarity agreement	Goods, services, and investment
1994	FTAA (under negotiation)	Free-trade agreement	Goods, services, government procurement, investment, and intellectual property
1994	Ecuador	Economic complementarity agreement	Goods, services, and investment
1996	Canada	Free-trade agreement	Goods, services, and investment
1996	Mercosur	Economic complementarity agreement	Goods, services, investment, and infrastructure
1998	Peru	Economic complementarity agreement	Goods, services, and investment
1998	Cuba	Partial-scope agreement	Goods
1998	Mexico	Free-trade agreement	Goods, services, intellectual property, and investment
1999	Central America	Free-trade agreement	Goods, services, and investment
2002	European Union	Economic-partnership agreement	Goods, services, intellectual property, investment, and government procurement
2003	South Korea	Free-trade agreement	Goods, services, intellectual property, and investment
2003	United States	Free-trade agreement	Goods, services, intellectual property, investment, government procurement, and environment
2003	EFTA	Free-trade agreement	Goods, services, intellectual property, investment, and government procurement
2005	P4	Economic-association agreement	Goods, services, intellectual property, and investment

Source: [www.direcon.cl](http://www.direcon.cl).

*Appendix 3.3 External Negotiations, Argentina (1994–2005)*

<i>Year</i>	<i>Country or Group</i>	<i>Type of Agreement</i>	<i>Issues Addressed</i>
1994	FTAA (under negotiation)	Free-trade agreement	Goods, services, government procurement, government procurement, investment, and intellectual property
1995	European Union (under negotiation)	Economic-partnership agreement	Goods, services, government procurement, government procurement, and intellectual property
1996	Chile	Economic complementarity agreement* economic,	Goods, services, investment, and infrastructure
1996	Bolivia	Economic complementarity agreement* economic,	Goods, services, and investment
1999	Cuba	Economic complementarity agreement	Goods
2002	Mexico	Economic complementarity agreement** economic,	Goods, services, and investment
2004	Colombia, Ecuador and Venezuela	Economic complementarity agreement** economic,	Goods, services, and investment
2004	India	Preferential agreement	Goods
2004	Southern African Customs Union (SACU)	Preferential agreement	Goods
2005	Peru	Economic complementarity agreement** economic,	Goods, services, and investment

\* The agreement makes provision for the creation of a free-trade area in a maximum of ten years.

\*\* The agreement makes provision for a free-trade area without a deadline.

Source: [www.cancilleria.gov.ar/portal/](http://www.cancilleria.gov.ar/portal/) and [www.aladi.org](http://www.aladi.org).

## Appendix 3.4 External Negotiations, Brazil (1994–2005)

<i>Year</i>	<i>Country or Group</i>	<i>Type of Agreement</i>	<i>Issues Addressed</i>
1994 1995	FTAA (under negotiation)	Free-trade agreement	Goods, services, government procurement, government procurement, investment, and intellectual property
1995	European Union (under negotiation)	Economic-partnership agreement	Goods, services, government procurement, and intellectual property
1996	Chile	Economic-complementarity agreement* economic,	Goods, services, investment, and infrastructure
1996	Bolivia	Economic-complementarity agreement* economic,	Goods, services, and investment
1999	Cuba	Economic-complementarity agreement	Goods
2001	Guyana	Partial-scope agreement	Goods
2001	Trinidad and Tobago	Partial-scope agreement (preferential agreement)	Goods
2002	Mexico	Economic-complementarity agreement** economic,	Goods, services, and investment
2004	Colombia Ecuador and Venezuela	Economic-complementarity agreement** economic,	Goods, services, and investment
2004	India	Preferential agreement	Goods
2004	Southern African Customs Union South America (SACU)	Preferential agreement	Goods
2005	Peru	Economic-complementarity agreement** economic,	Goods, services, and investment

\* The agreement makes provision for the creation of a free-trade area in a maximum of ten years.

\*\* The agreement makes provision for a free-trade area without a deadline.

Source: [www.desenvolvimento.gov.br](http://www.desenvolvimento.gov.br) and [www.aladi.org](http://www.aladi.org).

## NOTES

1. The author is grateful for comments by Tullo Vigevani (Julio de Mesquita Filho Paulista State University), Benedicte Bull (Senior Research Fellow in the Centre for Development and the Environment—SUM—University of Oslo), and Bernardo Kosacoff, (Director of the Economic Commission for Latin America and the Caribbean—ECLAC), as well as the assistance of Daniela Perrotta.
2. In that respect, think tanks are normally characterized as intermediaries or brokers that live on and off others (Conford, 1990).
3. The concept of symbolic-analytical services was developed by Robert Reich (1992) to characterize the set of activities that think tanks generally

- undertake, and that are related to identifying, solving, and mediating material problems by manipulating knowledge.
4. The field research was conducted in 2003 and 2004 and was financed by the Global Development Network (GDN). FLACSO Argentina designed and coordinated the project, and the following researchers took part: Augusto Aninat del Solar (University of Chile), Valeria Iglesias (FLACSO), and Miriam Saraiva (IUPERJ, Brazil).
  5. It can be said that the economic opening began before the Collor government because, as of 1988, the Ministries of Foreign Relations and Development and Industry began to produce studies to coincide with the GATT Montreal ministerial meeting. Thereafter, public-service elites were inclined to favor opening in the context of the Uruguay Round.
  6. During the negotiations on the common external tariff, some discordant voices were raised among government personnel because of the levels of protection: as a result of the Real Plan, Winston Fritsch and his alternate, Tombini, upheld a tariff reduction position that was backed by Minister Ciro Gomes.
  7. This section is based on Aninat and Botto (2005).
  8. The subsequent governments were those of Aylwin's Concertación Democrática (1990–1994), the Christian Democrat Frei (1994–2000), and the Socialists Lagos (2002–2005) and Michelle Bachelet (2006–2012).
  9. Prominent among these is the contribution of Chicago professors such as Arnold Harberger, who visited Chile for the first time in 1955 and had a great influence on Sergio de Castro, an economist who later studied in Chile and was Economy Minister (1975) and Treasury Minister (from 1977) (Fontaine Aldunate, 1988).
  10. Not even in the case of FIEL, where trade policy is only one subissue among its five work areas: reform of the state; economy, education, labor, poverty, and the environment. In this regard, one of the most influential studies has been the book *El fracaso del estatismo* (1986).
  11. These methods, in fashion worldwide, were developed abroad (Australia), and the matrices began to be applied in Argentina in the late 1990s with UNDP financing.
  12. Though Itamaraty has played a centralizing role, the importance of the Finance Ministry should be noted.
  13. In recent years the press has had a significant role: the articles published in the print media, as well as televised discussions, have put pressure on the negotiators.

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# 4 Mexican Academia and the Formulation and Implementation of Trade Policy in Mexico

*Blanca Torres*

## INTRODUCTION

Other chapters of this book have summarized the debate on the links between knowledge and public-policy making. They have also examined the role of “experts” and, in particular, that of academics. Hence it is useful simply to reiterate here that knowledge has gained importance in decision making during the last half century (Torgerson, 1986). It should also be stressed that in order to acquire information and analysis, governments have opted to include experts among their officials—including the establishment of in-house think tanks—and to create committees or commissions. Recently, they have turned increasingly to external experts, including academics, normally through consultancies or by commissioning research. The use of information, advice, analysis, and research in the decision-making process is both formal and informal.

It must be stressed, however, that scholars do not agree on the impact of knowledge or ideas on decision making, nor on the role of academics, in the process. Assessing its impact poses significant difficulties because policy making, which involves value judgments and convictions, is constrained by interests (Goldstein and Keohane, 1993). Moreover, other analysts argue that the nature of the political system markedly conditions the relationship between academia and the government, as well as the influence that the sector has on policy making. Social and economic circumstances also influence the adoption of a particular policy, as do institutional changes and the activities of business people, among other factors (Parsons, 1995). Another issue of extensive debate is whether ideas themselves have an impact or if that impact stems mainly from the institutions that adopt the ideas.

An increasingly accepted proposition is that academics are important for decision makers because they provide information and give legitimacy to decisions (Parsons, 1995). However, without denying the impact of some “great books,” it is argued that academics have more influence when they propagate ideas—that is, through their contribution to the broadening of the terms of the debate, rather than through their participation in committees or formal channels, when they carry out research or offer advice for a particular policy (Sharpe, 1975).

Another polemical issue regarding the links between ideas, academia, and decision making is whether academics threaten or support democratic processes. This debate is related to the view that experts have formed (or could form) a powerful elite within the government, and that those who have greater access to the experts' information and analysis are powerful interests and not ordinary citizens.

Questions and general propositions about the role of knowledge and academia could be extended to the analysis of other important actors: think tanks, which have grown significantly since the 1970s in response, among other things, to a growing demand for knowledge. By think tanks we mean those research teams that seek to influence policies, beginning with the context in which the debate occurs (Parsons, 1995). It is worth mentioning briefly here some of the main differences between academics and members of think tanks. One is that the chief goal of the former is to contribute to knowledge. Another is their attachment to the research agenda of their specific disciplines.<sup>1</sup> Nonetheless, it is possible that, at particular times, groups of academics will act like a think tank.

There is a wide array of think tanks, especially in the developed countries, varying by size, human, and financial resources, and political or ideological affinities. Another clear difference is between those set up within government agencies and those outside them. Their contribution to greater pluralism is a matter of debate, and there is no shortage of people who express concern that the public discussion of ideas and policies might shift to a set of think tanks.

There has been very little research in Mexico on the role of knowledge, academics, and other experts in the trade and investment opening that began in the 1980s.<sup>2</sup> Most of the explanations offered by Mexican academia and foreign researchers refer only tangentially to their role. They do, nonetheless, offer useful indications.

In this first exploration, whose guiding thread consists of the questions and propositions mentioned previously, we undertook an extensive review of relevant secondary literature and conducted more than a score of semi-structured interviews with academics, consultants, public officials, and negotiators. This allows us to become familiar with the kind of knowledge produced and the ways in which Mexican academics and other experts have contributed to the formulation and implementation of trade and investment policy. It also lets us assess the impact of economic opening on the research agenda of public and private research centers.

The chapter begins with a brief account of the opening and the explanations for it, before discussing the role of academia and the government's recent use of consultants and a handful of domestic think tanks. It is helpful to start that second part with a brief description of some of the features of the Mexican political system and the functions of the various government agencies working in the field of foreign trade and investment, so as to illustrate the institutional framework within which the various actors operate.

The chapter then describes their activities. We emphasize the changes that have happened throughout the period under analysis and, in particular, political party change at the presidential level.

## 1. READINGS OF MEXICO'S TRADE-OPENING PROCESS

In ten years (1985–1995), Mexico changed from being a very protected economy to being one of the most open in the developing world; it moved from a profound and unilateral liberalization and late entry to the General Agreement on Tariffs and Trade (GATT), to the signing of the first free-trade agreement between two developed countries and a developing country. In the following decade Mexico continued to formalize its trade relations with individual countries or groups of countries, and now has more than four dozen trade and investment agreements. Mexico also has a relatively discreet participation in the World Trade Organization (WTO), wherein it is a member of the G-20.

There has been widespread agreement among academics, both Mexican and foreign (especially scholars of political science and international relations), on why these swift changes happened. This is an issue that the experts soon tackled. Mexico has been seen as one of the clearest examples of the influence of external actors in the process. First, it has been stressed that international financial institutions such as the World Bank and the International Monetary Fund (IMF), as well as the U.S. government, exerted strong pressure for rapid economic liberalization. This pressure was applied in the 1980s when Mexico was highly vulnerable because of the debt crisis and the negotiations to restructure the debt.<sup>3</sup> Second, it has been said that these external demands for opening found echo among some young officials in the Mexican government who were hardened advocates of the advantages of economic neoliberalism, including free trade. They were able to use these demands to win political ground from the government “old guard” that, at the time, seemed willing to promote gradual trade liberalization (Heredia, 1996). Finally, the literature has noted a third factor favoring a change in trade policy: the somewhat passive acceptance of the vast majority of entrepreneurs and other important sectors.

Most Mexican and foreign analysts explain this acceptance by underlining certain features of Mexico's business sector and its relationship with the government.<sup>4</sup> They further highlight the impact on businesspeople of the sudden nationalization of the banks in 1982 and the conversion of dollar deposits into pesos. Entrepreneurs saw trade opening as part of a package of measures that would tend to reduce the role of the state.<sup>5</sup> The signing of the North American Free Trade Agreement (NAFTA) in 1992, it is said, was also accepted by many people who saw it as a means of anchoring the new economic model (Flores Quiroga, 1996; Tornell and Esquivel, 1998). Nonetheless, analysts admit that many small and medium-size businesses

who were potential losers lacked adequate access to decision makers, as well as to proper information, and did not have the capacity to mobilize in opposition to the agreement (Pastor and Wise, 1994).

According to Mexican and foreign academics, the traditional workers' confederations—such as the Revolutionary Confederation of Workers and Peasants (CROC) and the Confederation of Mexican Workers (CTM)—offered no resistance to trade liberalization because of the corporatist links that they had and still have with the government. Regarding NAFTA, it should be added that those confederations perceived this agreement as a zero-sum game in terms of job creation (Torres, 2005b). U.S. trade union campaigns against the agreement stressed the imminent loss of jobs to Mexico and thereby contributed to this perception. A very effective government campaign, according to analysts, mitigated apprehensions and spurred expectations among the rest of the population. The small groups of active opponents to the agreement felt obliged to move swiftly from outright opposition to NAFTA to calling for a model that would gradually lead toward integration following, to some extent, the example of the European Union (EU).

As regards the position of Mexican academics in these years, secondary literature reviewed make only a few isolated references to the participation of some of them in the committees that the government set up, and some allusions to the studies that the government entrusted to them once the decision to negotiate NAFTA had been taken.<sup>6</sup> Those analyses also note that, from the early 1980s, a growing number of Mexican academics underlined advantages of free trade, especially in the private universities; these were the people who had taught the young officials who would have to drive the economic opening. However, the general view is that at the beginning of that decade most domestic researchers still advocated protectionism, but following the debt crisis, they realized that it was impossible to continue with import substitution.

## 2. CHANGES IN THE PARTICIPATION OF GOVERNMENT INSTITUTIONS AND NONSTATE ACTORS IN DESIGNING AND IMPLEMENTING TRADE AND INVESTMENT POLICIES

### 2.1. Executive Departments and Agencies

In the period under study, the Mexican political system began a transition to democracy after a long period of inclusive authoritarianism. Under that system, the president had a crucial role and was a key player in decisions related to the economic opening and, in particular, the trade and investment opening that took place between 1982 and 2000. The president now faces more constraints on his authority, especially because there is a “divided government,” but he retains influence over the general guidelines of public policies.

Over several decades, authority in the fields of international trade and investment has been shared among various secretariats. In the early 1980s, the authority of the Foreign Relations Secretariat (SRE) in the economic arena was in practice (albeit not formally) quite modest, especially as regards trade policy. Since 1993 its statutes have been modified several times, giving rise to some formal functional overlap with the Secretariat for Trade and Industrial Development (SECOFI) and its post-2001 successor, the Economy Secretariat (SE). The SRE, however, has suffered a clear loss of authority: at least formally, it used to have the authority to decide whether to sign or reject treaties; now, it can only express an opinion or take part in the negotiation of treaties (Schiavon and Ortiz Mena, 2004). It played only a marginal role in the NAFTA negotiations. By contrast, it had a much more active role in the Economic Partnership, Political Coordination, and Cooperation Agreement between Mexico and the EU, given the wide nature of the accord and the distribution of authority within the EU. The trade accord was also negotiated by SECOFI officials.

SECOFI had been in charge of the unilateral opening process in which Mexico engaged under the presidency of Miguel de la Madrid. It coordinated the Intersecretarial Group that led the negotiations for Mexico's admission to the GATT in 1986. Also taking part in those talks were the Secretariat of Agriculture and Water Resources (SARH), the SRE, the Secretariat of the Treasury and Public Credit (SHCP), and the Secretariat of Energy, Mines, and State-Run Industry (SEMIP), among others (Vidali Carvajal, 1989). Moreover, at the direct designation of President Carlos Salinas de Gortari, SECOFI was in charge of trade negotiations throughout the following six-year presidential term (1988–1994). An Office of NAFTA Negotiations was set up within SECOFI to take charge of negotiating that agreement under the close supervision of the Secretary of Trade. In 1993 that office became an under-secretariat for international negotiations.

Although SECOFI had a leading role in the NAFTA negotiations, overall trade strategy and the negotiations themselves were coordinated by the Office of the Presidency. This was set up when Salinas took office and acted as an in-house think tank. It disappeared in the following presidential term, and the departments that replaced it have never had the same power of coordination.

Other government departments continue to be consulted for the negotiations, including Treasury, Agriculture, Energy, Education, Interior, Communications and Transport, Health, the Secretariat of the Environment and Natural Resources, Social Development, the Federal Electricity Commission, and the Federal Competition Commission. The SHCP in particular has continued to take part in trade issues because of its authority in the tax field. It also deals closely with other issues, such as services, particularly financial ones.

There is a long history of interagency disputes over trade and investment policy. As shown later, these were plainly evident during the discussions about Mexico's possible admission to the GATT in 1979, were dormant in the

1980s, almost disappeared in the 1990s, and have resurfaced in recent years. The intensity of these disputes has varied in line with the matter at hand.

## **2.2. The Rise of the Legislature**

Mexico has had a “divided government” since the 1990s, but this situation has had more far-reaching implications for trade policy since 2000, when a new party assumed the presidency. None of the three main parties—the National Action Party (PAN), the Institutional Revolutionary Party (PRI), and the Party of the Democratic Revolution (PRD)—had an absolute majority in the Senate or the Chamber of Deputies between September 2000 and August 2006. Neither did they have a majority in either of the two chambers installed in September of this year. During Vicente Fox presidential period, the PAN (the president’s party) had fewer seats than the PRI. The share of seats changed in the Congress installed in 2006. The PAN lacked an absolute majority but it had the largest number of seats in the Senate and the Chamber. The PRD was the second biggest party in both chambers, leaving the PRI in third place.

All the agreements signed since the 1990s have been approved, but party differences have had an impact on trade policy. In 2000 and 2006, as part of its fiscal authority, the Chamber of Deputies took some steps that spurred disputes with the United States. A widely known example is the fiscal stimulus to the soft drinks industry for beverages that use domestic sugar rather than American fructose (Ortiz Mena, 2005).

More importantly, “divided government” has severely hampered approval of the executive’s proposals on structural reforms (fiscal, labor, and energy reforms are prominent in this respect). It is said that the absence of such reforms and of other arrangements that are less subject to discussion (such as greater investment in education and infrastructure) is the main reason why the competitiveness of Mexican exports has declined in recent years.

## **2.3. Subnational Governments Demand Participation**

Some state governments have a long history of promoting international trade and attracting foreign investment, and more of them have devoted themselves to these endeavors in recent years (Schiavon, 2006). But they have only limited authority in the area of foreign relations. The northern border states, which are especially dependent on international trade, have sought greater authority and have used whatever openings they can to expand their role. The richer, more export-oriented states of the border region have also created in-house think tanks.

## **2.4. The Participation of Other Sectors in the Negotiation of Agreements**

In the traditional style of Mexican inclusive authoritarianism, the government engaged in some consultations with business organizations in order to

implement the unilateral opening of the 1985–1987 period.<sup>7</sup> The most radical measures, introduced in 1987, were part of the Solidarity Pact reached with the business and labor leaderships. There were also consultations in 1986 with various sectors of civil society regarding Mexico's accession to the GATT. Those consultations, organized by the Senate in several cities, were held when the decision to accede had already been taken.

From the outset, the Salinas government embarked on a more systematic consultation with the private sector. The president made maximum use of the remnants of authoritarianism to further NAFTA, but he was aware that the political regime was facing strong pressures (especially internal) for liberalization and that those pressures had to be taken into account. Businesspeople in particular, who until the early 1980 had little interest in further democratization, began to sing its praises and demand greater participation and accountability.<sup>8</sup>

With a view to expressing a common position on trade policy, the Business Coordinating Council (CCE) set up the Coordinator of Foreign Trade Business Organizations (COECE).<sup>9</sup> This was seen as indispensable in light of the large number of business organizations. Since the 1950s, the three traditional confederations—the National Confederation of Chambers of Industry (CONCAMIN), the Confederation of Chambers of Commerce (CONCANACO), and the National Confederation of the Processing Industry (CANACINTRA—had been joined by a variety of other organizations, some of them with close links to foreign trade: the National Association of Importers and Exporters (ANIERM), the Mexican Business Council for International Affairs (CEMAI), and the National Export Council (CONACEX). Some organizations had, and still have, particular influence. Although their membership is not large, they include powerful entrepreneurs. The Mexican Council of Businessmen (CMHN) is a case in point.

Nonetheless, all the indications are that the president took the decision to negotiate NAFTA after a modest level of consultation with a small group of officials, but in the knowledge that some important Mexican businesspeople and several multinationals in the country were in favor. He was also aware of the interest among some sectors in the United States.

It soon became clear that the Mexican government was not pursuing NAFTA solely to ensure market access in the United States and Canada, but that one of its chief aims was to attract investment. The COECE set about convincing entrepreneurs of the advantages of NAFTA by gathering information specific to each sector and, as an organization that aimed to represent the interests of all businesspeople, by generating legitimacy for the accord.<sup>10</sup>

During NAFTA negotiations, the government created the Advisory Council on the Free Trade Agreement. This comprised representatives of the government and of industrial firms (CCE, CONCAMIN, CONCANACO, and the heads of some large companies in strategic sectors), farmers and peasants (CNPP and CNC), the COECE itself, the traditional labor confederations, and civil society (lawyers from prestigious firms, as well as

representatives of NGOs and academia). Academics were represented by the rectors or principals of the country's leading academic institutions.<sup>11</sup> Information was circulated among them by means of monthly meetings with SECOFI officials. The council's main tasks were to keep civil society informed and to act as a means of communicating civil society's concerns and interests to the government.

The three governments (Mexico, the United States, and Canada) decided to negotiate by issue and not by sector as was initially planned<sup>12</sup>. Hence the need for more direct and fluid communications between the negotiators and the private sector. This led to the establishment of the "side room," an effort to pacify the entrepreneurs annoyed by the change in strategy. The influence of some powerful businesspeople is evident in the modest commitments to open some sectors, such as finance and telecommunications.

The council still exists, but its activities have diminished and in practical terms it is not operational. The COECE remains the government's main interlocutor in trade negotiations, through prior consultations and through the "side room" mechanism.<sup>13</sup> The COECE produced seventy-one sectoral studies for the negotiation of the agreement with the EU, and has held about four hundred meetings with government officials and negotiators (Alba Vega and Vega, 2002: 69).

Nonetheless, during the negotiations for the trade agreement with the EU, the COECE faced the public opposition of some business chambers. Some of the criticism centered on its representativeness, a question that has been raised about the vast majority of business organizations for several years.

The Mexican Council on Foreign Trade, Investment, and Technology (COMCE)<sup>14</sup> was set up in 1999 to promote trade and investment and to foster technology transfer. It seems to have become an influential competitor to the COECE. Its governing board includes more than a dozen of the country's most important entrepreneurs. Another organization of note is the National Council of the Maquiladora Export Industry (CNIME).

Civil society organizations have taken a more defiant attitude since the NAFTA negotiations, though at times they maintain some dialogue with the government. They include the Mexican Free Trade Action Network (RMLAC). Organized along similar lines to the Canada Action Network, it was initially active under the banner of "No to this NAFTA" and took part in one of the antiagreement alliances created in the United States with a similar outlook.

After NAFTA was signed, the RMLAC became an active member of the Continental Social Alliance. In parallel, with a view to the agreement between Mexico and the EU, it lobbied intensely in Europe for the inclusion of a social charter and clauses on environmental protection and human rights. In the end, the agreement did include the issue of democracy and

human rights, but not the environment. The National Workers' Union (UNT), set up by some large unions (including the Mexican Telephonists' Union and the Social Security Workers' Union) that left the old labor confederations in 1997, has also transnational links with its counterparts in the other two NAFTA countries. The UNT, however, has not adopted a policy of outright opposition to NAFTA and other trade agreements. Rather, it focuses on securing the best labor conditions and, especially, freedom to organize (Torres, 2005a).

By contrast, the position of businesspeople has shifted in recent years. Initially, a small group was enthusiastic about the opening, and most were resigned to it. Now, the private sector is more critical of the effects of rapid liberalization. Dissatisfaction was shown during the negotiations with the EU for the general agreement signed in 2000, which included a free-trade accord. Recently, some of the large entrepreneurs who supported NAFTA have added their voices to this criticism (Ortiz Mena, 2005).

Businesspeople have also sought a "truce" in the signing of new trade agreements and have argued that some of the existing accords should be revised. Farmers of small and medium-size farms have been the most openly mobilized since the 1990s. This opposition increased in 2002 when changes to U.S. agricultural legislation made provision for raising subsidies exactly a year after the entry into force of significant tariff reduction commitments on Mexico's part.<sup>15</sup>

Public criticism had an impact on the Fox administration, though from the outset the president had shown himself to be a firm supporter of the trade policy pursued by his two predecessors. Like them, Fox underlined the positive effects of the policy, and in particular those of NAFTA. He took the view of several of NAFTA's negotiators that the agreement had met its main goals: to ensure access to the U.S. market, reduce the number of trade disputes with the United States, offer guarantees to investors so as to attract more investment, and generally anchor the new Mexican economic model.<sup>16</sup> Time and again he emphasized the marked increase in exports and their recomposition, the long-standing trade surplus with the United States,<sup>17</sup> and the sharp increase in annual foreign investment inflows, from US\$4 billion to US\$18 billion in 2005.

Although the Fox government continued to support free trade during its term, in its final two years its position was a little more hesitant. Despite the signing of the agreement with Japan, the Economy Secretariat was somewhat receptive to the idea that the conclusion of other accords would have to be postponed.

The erosion of NAFTA's tariff advantages, because of the new U.S. trade strategy of resorting increasingly to bilateral agreements, together with some international trends—such as the lowering of average tariffs and the mounting importance of services—sparked a discussion about the path to take. Many academics, as we will see later, took part in that debate.

### 3. PRODUCING DOMESTIC RESEARCH FOR INTERNATIONAL TRADE NEGOTIATIONS

#### 3.1. Research and the Executive Departments

During the negotiations for Mexico's accession to the GATT (1979 and 1986), SECOFI had a General Directorate of Foreign Trade Studies. In view of the scope of its work and recommendations, this directorate can be regarded as an in-house think tank. Among other research, it produced estimates of the level of effective protection in Mexico.<sup>18</sup> Its studies were used as a basis for Mexico's entry into the GATT and for the unilateral liberalization of 1987. For several decades the Bank of Mexico has had a General Directorate of Economic Studies, another in-house think tank with significant prestige in the country, which has produced useful research.<sup>19</sup> The information held by institutions such as the National Bank of Foreign Trade was also helpful in this process.

SECOFI carried out much of the research needed for the NAFTA negotiations and for later agreements. The directorate responsible and the office of advisers to the under-secretary of trade negotiations conducted its research on the basis of previous studies. It received support in the form of information and analysis from other pertinent secretariats. Given the multiplicity of new negotiating issues, however, it soon became evident that there were gaps. As mentioned earlier, therefore, formal and informal contacts were made with academic institutions and think tanks, both within Mexico and abroad. The private sector was also asked to provide information.

Throughout the 1990s, SECOFI's senior staff—including the offices created for the negotiations—were very uniform in terms of their background and attitudes to free trade. The vast majority of the staff were young people with graduate degrees—often doctorates—from U.S. and British universities. All were convinced of the advantages of free trade and were willing to uphold that position.<sup>20</sup> Some came directly from those universities; others from Mexican academia or elsewhere. Some came from positions in international financial organizations and retained links with officials in those institutions, including a significant number of second- and third-tier officials. They were not necessarily experts in international trade. Many of them had been hired by SECOFI at the start of the presidential term, before the decision to start negotiations with the United States had been announced.<sup>21</sup>

These economists were very different from the majority of those whose main concern about a possible accession to the GATT in 1979 was potential constraints on “sovereignty” or, more precisely, on the autonomy of the Mexican government's economic decisions.<sup>22</sup> In the words of the secretary for trade in the Salinas administration, “after 30 years of intense political debate (and not so intense at the level of theory),” the world's decision makers had begun to see trade policy as it should be seen: “as a long-term

instrument that affects resource allocation and competitiveness” (Serra, 1995: xvii).

Mexico’s NAFTA negotiators created a school within SECOFI, and this Secretariat depended on NAFTA negotiators and their disciples for subsequent negotiations. That agreement established the basis of the accords later signed by Mexico, with adjustments as necessary in each case. Although the staff is acknowledged to be good negotiators, there is talk of a certain inertia and a disregard for research in SECOFI and, in particular, in its successor, the current SE. This Secretariat no longer has a research section because of cuts in its budget. Finally, it should be said that the Fox government tended to favor private advice.

It is worth talking here about the information produced by government departments, which clearly establishes a crucial link between the government and academic research. Until two decades ago it was very hard to gain access to the information on key economic issues, although some researchers from prestigious institutions did acquire greater access to it through informal contacts with government officials. Only from the 1980s onwards was there greater openness.<sup>23</sup> Much has been said about pressure from the World Bank and the IMF in this respect.

Academics not only recognize that access is easier today, especially since the adoption of the Federal Law on Transparency and Access to Public Government Information.<sup>24</sup> Academics also see an improvement in the information produced by the National Institute of Statistics, Geography, and Information Technology (INEGI), as well as by various government departments. But they point out that research is still hampered by substantial gaps in the information and the lack of compatibility in some categories.

## 3.2. Research in Mexican Academia

### 3.2.a. *Academia and the Negotiators for Accession to the GATT*

We said earlier that economists, political scientists, and researchers from some other fields played an important role in the decision not to join the GATT in 1979 (Story, 1982). Their position was based on research but, as mentioned, political issues were to the fore (De Mateo, 1986).

As the opening was reinitiated in the 1980s, SECOFI acquired the habit of using researchers from a handful of academic institutions (universities and research centers) for studies of particular issues, such as services.<sup>25</sup> SECOFI also consulted those institutions to discuss possible positions in the negotiations for GATT accession, to examine the commitments entailed by accession, and to clarify pending doubts about the impact on some sectors and on relations with the United States. The seminars organized for these purposes led to the publication of books that featured studies by officials of SECOFI and of the Agriculture Secretariat (SARH), as well as Mexican

and U.S. academics (del Castillo, 1986; Vega Cánovas, 1991; Torres and Falk, 1989).

### *3.2.b. The Academia-Government Link over NAFTA*

As mentioned earlier, the NAFTA negotiations called for a lot of information on a very wide variety of issues, since they covered not only goods but also services, intellectual property, investment, government procurement, and so on—all matters that had not been studied in detail until then. Negotiation of some of those issues posed particular difficulties, especially given the asymmetry between the three countries. This was the case in the area of intellectual property, a field in which it was hard to establish trade-offs because of the huge disparity in technological development.<sup>26</sup>

Thus SECOFI, which had undergone significant staff turnover, immediately began to hire academics, think tanks, and consultants not only in Mexico but also in the United States and Canada. These were asked to conduct a series of research projects and build general equilibrium models (Kehoe and Kehoe, 1995; Yúñez, 1992). In some cases multinational teams were set up. The academics from public institutions carrying out these studies included economists and international relations specialists from the College of Mexico, A.C. (COLMEX), and the Center for Economic Research and Teaching (CIDE). Of the private universities, particular use was made of the Autonomous Technological Institute of Mexico (ITAM). In parallel, the World Bank promoted other research on the issue. These projects involved Mexican academics, including some who were starting to work in U.S. universities.

Although the main aim of such studies was to legitimize decisions already taken, they also produced information about the possible effects on each sector and, in some cases, on the policies needed to take greater advantage of the opening. These recommendations, however, were not necessarily taken into account. A research project deemed to have had greater influence on bargaining positions concerned the agricultural sector, particularly corn. The study fostered the adoption of long tariff reduction periods and encouraged a search for the kind of income support for producers that would not breach the commitments made (Levy and Van Wijnbergen, 1992).

Another type of academic support, which the negotiators did use, came from a small group of lawyers working in some universities (UNAM and the Free School of Law). This was because one of the main requirements in the negotiations was juridical information, not only on the other two countries but also on Mexico. Legal issues posed a significant challenge because of the different traditions of the future partners: civil law in Mexico and common law in the other two countries. The government also resorted to a handful of researchers for general studies on the links between trade and the environment.

In short, as two of the interviewed negotiators made plain, “academics did not determine the course of the negotiations or the outcome . . . but they did provide some information that was useful in the negotiations and in justifying them.”

### *3.2.c. Academics and the Implementation of Trade Agreements*

A sizeable number of academics in both public and private institutions have been included in the lists of possible panelists for dispute settlement mechanisms. Several of them took part in the panels created under Chapters 19 and 20 of NAFTA, and professors at ITAM and COLMEX helped train them.

SECOFI has also resorted to academia for studies on the implementation of NAFTA and subsequent agreements, as well as on trade policy in general. In other words, several researchers have been producing consultancy studies on trade and investment issues (even more often), normally through individual contracts with the public sector and with international organizations including the World Bank, the IDB, and FAO. In general, these arrangements are usually made through informal contacts.

Academics in the research centers mentioned earlier have been joined by other public and private institutions in these endeavors. Public institutions include the UNAM's Center for Research on North America (CISAN) and, to a lesser extent, the economics departments of the Autonomous National University of Mexico and the Metropolitan Autonomous University. Researchers from Chapingo Autonomous University have taken part in the area of agriculture and, on legal matters, academics from UNAM's Institute of Legal Research.

Some public universities and research centers outside Mexico City have found niches of interest to decision makers. These include two centers in the University of Guadalajara and the University of Colima, which are in states that have shown an interest in the Asia-Pacific region for many years. The SE used one of these for preliminary studies on South Korea (identification of economic complementarities).<sup>27</sup> The College of the Northern Border (COLEF), which has offices along the frontier, has studied the impact of NAFTA from the perspective of a variety of disciplines and, more generally, the impact of integration between the two countries.

Public academic institutions basically depend on government resources allocated through the budget, and on support for research projects from the National Council on Science and Technology (CONACYT).<sup>28</sup> Some also receive support from foundations, most of them foreign but also including a few Mexican organizations. These institutions are autonomous, and in general their professors choose their lines of research independently. It would be inaccurate to call these research centers “think tanks,” though at times some of them have operated as such. A significant number of researchers prepare studies for the government or international organizations, but normally they give priority to academic work.<sup>29</sup>

There was practically no relevant research in the private universities before NAFTA, but since then they have set up centers for this purpose. Many of their researchers, in addition to their university duties, undertake consultancies for firms and international organizations, and also increasingly for the government. Prominent among the private institutions is the Autonomous Technological Institute of Mexico (ITAM). Until the late 1980s ITAM was basically concerned with teaching; increasingly it provided the government with officials, as well staff for private firms.<sup>30</sup> The opinions of some of its most distinguished professors carried weight in the initial stages of the opening, which they judged to be positive. But their more important role stemmed from informal talks with government officials and their organization of seminars to discuss these issues, rather than from their research. In 1993, ITAM set up four centers to conduct research on foreign trade and investment. One of these is the Center of Applied Economics and Public Policies.<sup>31</sup>

The Monterrey Technological Institute (TEC), which trains many of the professionals in the private sector, has taken some steps in this regard.<sup>32</sup> More recently, research groups have emerged in the Iberoamericana, Anáhuac, and Panamericana Universities, among others. In general, consultancies for the public or private sectors are individually commissioned. These institutions, too, are not really think tanks, although they have sometimes operated as such.

### *3.2.d. Assessments of NAFTA by Mexican Academics*

Mexican academics from various disciplines have carried out a significant amount of research to monitor and assess the sectoral and regional impact of economic opening and, in particular, of NAFTA—that is, *ex post* research. Notable are studies on job creation, convergence with the United States and Canada, and investment attraction. These kinds of assessments grew markedly at the end of the first five years of NAFTA's entry into force, and most particularly at the end of its first decade.<sup>33</sup> The scope and quality of the assessments conducted in Mexico have varied.

For the purpose of this chapter, our interest in these studies does not lie in “the effects of NAFTA on the Mexican economy” in themselves. Rather, it is in the issues that these studies explored and those that were disregarded. We then turn to an assessment of the role of academia. The studies' conclusions coincide on an important point: the research carried out during NAFTA negotiations did not take account of asymmetries. It is argued that potential costs were minimized and that in some respects they have been high—for example, in terms of the severe inequality in the regional distribution of the benefits. The fact that NAFTA has helped deepen persistent regional inequalities is perhaps one of the most important findings of recent research. In general, the states receiving the fewest benefits from the agreement and from opening are precisely those that have lagged for

decades—Chiapas, Guerrero, Oaxaca, and others (Esquivel et al., 2002; Esquivel and Messmacher, 2003a and 2003b). It is argued, however, that this possible effect was not obvious *ex ante* and thus there were no studies on it.

Critics of the opening have also stressed the significance of maquiladoras in the growth of exports and the scant value added that they create. Others are concerned about the marked and rising concentration of export products and the small number of firms that produce them, many of which are transnationals.<sup>34</sup> Criticisms focus on the very high concentration of exports going to the U.S. market, although it is accepted that the proportion has declined on the import side.<sup>35</sup> Such analysis underline the absence of positive effects on wages and on the living standards of most of the population.

The modesty of Mexico's economic growth rate in the past decade, together with the deficient creation of jobs in the formal sector, has led a growing number of researchers to take a new view, one that runs counter to the expectations of a decade ago about the links between trade and economic growth. These days, economists are practically unanimous in their insistence that growth in international trade does not by itself guarantee development. As well as mere agreements, other conditions are needed to boost competitiveness and attract capital, such as the presence of the rule of law, educational levels, and the development of infrastructure (Rubio et al., 2006).

The widest polarization is over agriculture, both as regards assessment of the general equilibrium models—which were used during the NAFTA negotiations—and the effects of the agreement. It is said the none of the models used took account of the diversity of corn grain producers. Hence predictions that economic opening would cause a sharp slump in domestic production went unfulfilled (recall that the opening gathered speed and even went far beyond what was contemplated in NAFTA). Similarly unfulfilled were forecasts that imports of U.S. corn at cheaper prices would bring about a reduction in the price of tortilla in Mexico, which is said to be attributable to the presence of oligopolies.

Other researchers have centered on the academic quality of studies concerned with NAFTA's impact on the agricultural sector—both those indicating positive effects and those that stressed the negative. Some are criticized because they do not take account of factors deemed more important than the agreement in determining the development of the rural sector. Others are questioned because they focus on subsectors that have suffered negative impacts, not on those that have benefited from crop substitution, or vice versa.

Recently, following the Agreement for the Countryside and after severe demonstrations by producers (under the banner “The Countryside Can Take No More”), the Economy Secretariat asked some academics to produce a new study on the final stage of tariff reduction for agricultural products

under NAFTA (Puyana and Romero, 2005). It is unclear to what extent this will be taken into account in the decision that will have to be taken soon.

For its part, in October 2004 the Chamber of Deputies supported the creation of the Study Center for Sustainable Development and Food Sovereignty (CEDRSSA).<sup>36</sup> Its functions include pursuing cooperation agreements with study centers and academic institutions in Mexico and abroad, as well as with some consultancy firms, for the exchange of information, studies, and specialists. There is even talk of setting up an academic collaboration network.<sup>37</sup> By mid-2006, CEDRSSA had concluded agreements with several public academic institutions; many of these accords made provision for the assessment of public policies toward the countryside. In particular, several ongoing research projects focus on issues related directly to trade policy.<sup>38</sup> In other words, one of the main purposes of this research is to identify the best means of dealing with the final tariff cuts set out in NAFTA, which had to be made in 2008. Still unclear is the impact of such research on a revision of the agreement (there is little prospect at the moment) or on measures to mitigate the effects.

As well as the purely economic research, there have also been juridical studies assessing the changes made to Mexican legislation and the creation of institutions that are important in ensuring fulfillment of the new international commitments that Mexico has assumed. Some of these pay particular attention to matters such as financial services, intellectual property, rules of origin, customs procedures, government procurement, the energy sector, and the environment (Witker, 2005). A sizeable number of studies have examined the effects of the opening on employment, as well as on relations between the unions and the government.<sup>39</sup>

There are also some painstaking studies of how the dispute settlement mechanisms work, sometimes produced in conjunction with researchers from the other two countries (Vega Cánovas et al., 2005). Most coincide as in assessments carried out by Canadian researchers, that the mechanisms have worked well and that, because of them, Mexico and Canada have emerged better from disputes with the United States. This, however, is not the widespread view of entrepreneurs, several academics, or the public.

In short, there is an extensive bibliography on NAFTA and its effects, much of it consisting of economic studies but also including other kinds of work by Mexican researchers. But many issues have still not been explored. Particularly striking is the absence of research on how other agreements work, including the accord with the EU (which has been in force for almost ten years). Overall, there is a solid base of significant contributions from academia that have helped broaden the terms of the debate and spurred proposals on new paths to take.

The main findings of the research have been disseminated fairly broadly, a process facilitated by the frequent appearance of academics in the media (television, radio, and the press) where they repeatedly discuss trade opening or one of the trade agreements, especially NAFTA. Representatives of other

sectors sometimes use their arguments to advance their own causes. The government has taken up some of the issues raised, not to seek immediate revision of any of the agreements but to take soundings on alternatives.

### 3.3. Private-Sector Research

As mentioned earlier, when the negotiation of NAFTA was suggested, the government asked the private sector to prepare sectoral studies. The various sectors, through their business chambers, hired external consultancy firms (especially American firms, though also some Mexican) for that purpose.<sup>40</sup> About 170 monographs, of varying quality and utility, were produced. Overall, the COECE regards them as “the most complete economic overview ever produced in Mexico” (Alba Vega and Vega, 2002). These served as a basis for how the “side room” operated.

The private sector had and still has a Private Sector Economic Studies Center (CEESP). The research it produces, as with that of the private sector in general, is mostly useful for firms rather than for devising trade policy positions, since it consists of export and import strategies, investment opportunities, and so forth.<sup>41</sup> CEESP produces analysis of the firms’ political environment, macroeconomic conditions, Mexican competitiveness, and the global outlook. It publishes daily economic indicators for Mexico and the United States. It also looks at the development of the regulatory environment in Mexico’s states.

CEESP occasionally publishes analysis of Mexico’s trade relations with other countries, such as with the United States and Canada. It is interesting that some state secretariats have asked CEESP for studies in recent years, even though those secretariats are only tangentially related to trade policy.<sup>42</sup>

Mexico’s large export companies, such as CEMEX, have their own research teams following international developments in the relevant industry. But they also use academics, mainly from private institutions, who are hired as part-time or longer-term consultants. This is the case, for example, of TEC and ITAM researchers.

In the last ten years, there has been a substantial increase in the number of consultancy firms in Mexico offering advice on foreign trade and investment to companies and business associations. In particular they advise companies on fiscal matters (foreign-trade taxes and so on). Some of them provide information on various aspects of the GATT and free-trade agreements, as well as on intellectual property and environmental issues, although several firms specializing in this area have emerged in recent years. A smaller number of consultancy firms offer advice on foreign-trade disputes, either on their own or with the support of lawyers from other countries. Many produce reports for potential investors in Mexico or for Mexicans who want to invest abroad. Some offer to lobby or act as representatives in departments of the executive branch and, more recently, the legislature. The biggest consultancy firms are represented in the COECE, ANIERM, and COMCE.

It is hard to specify how many such firms there are, since a large percentage of the more recent companies, including some that are very important, are not members of the National Chamber of Consultancy Companies.<sup>43</sup> We have identified about fifty small and medium-size firms, and a few large ones. Most of these consultancy companies do not normally have more than about twenty experts.

A sizeable number of former midlevel and senior government officials, who negotiated accession to the GATT or one of the trade agreements, have set up their own consultancy firms or a firm linked to a foreign consultancy. Academics have worked for about a dozen of these firms, and much of the service they offer is concerned with trade litigation and arbitration;<sup>44</sup> they also advise foreign investors on mergers and acquisitions. Although their services are mostly geared to firms, sometimes they work for government departments, and a handful of them have advised other Latin American governments on their trade negotiations. A large percentage of the consultancy companies are wholly Mexican, though a growing number of U.S. and international firms are setting up offices in the country and hiring Mexican professionals, or using a Mexican consultancy with experience and prestige as a section. Some of these large consultancy companies have offices in various cities in addition to the capital. Deloitte, for example, has ten offices outside Mexico City.

Some consultancies have links, albeit not close, with academic institutions; such links are closer in the area of teaching than research. These experts, however, maintain that they train their staff internally. There is no shortage of consultants, most of whom also worked in the government, who regularly publish articles in specialist journals and take part in seminars and conferences in academic institutions.

Although there are several dozen of the afore-mentioned consultancy firms, only a few can be thought of as a true think tank. Among those that qualify to be termed as such, we could mention the CEESP, the Associate Economists Group (GEA), and the Development Research Centre (CIDAC). The latter is smaller than its counterparts in developed countries. It has links with the Institute for International Economics in Washington, DC, and has jointly published analysis of NAFTA with members of the latter's staff.<sup>45</sup>

Many NGOs are mainly concerned with the links between trade and the environment. Thus, rather than undertake their own research or use Mexican consultancies, they have asked the Environmental Cooperation Commission for studies on issues they deem important. Such was the case of research on the possible impact of genetically modified corn on Mexican biodiversity. That project was carried out by a group of experts from the three countries, headed by a Mexican scientist. Its analysis and conclusions have sparked a fierce debate. The commission has also organized two conferences on trade and the environment, in which some Mexican academics have presented their research findings.

#### 4. CONCLUSIONS

The bibliography reviewed and the interviews conducted offer solid evidence that the crucial decisions on the opening to trade and investment in Mexico, including those related to the country's accession to the GATT in 1986 and the signing of NAFTA in 1994, were taken by the executive branch with the encouragement or consent of a small but powerful group of external and internal political actors. It is true that there were public consultations in these two cases, which included academics, but these were orchestrated by the government for the purpose of disseminating and legitimating decisions already taken.

There were signs of private-sector discontent in the negotiations with the EU, but those talks did not elicit interest or participation on the part of academics, much less among other sectors. Reactions to other agreements were similar, including those with countries of significant economic power, such as Japan. The overwhelming importance of the economic relationship with the United States helps explain this lack of interest.

SECOFI was responsible for devising trade and investment policies, as well as international negotiations, albeit under the supervision of the presidency in the case of NAFTA. They are now the job of its successor, the SE. It is clear that the SRE has lost leadership in this field, though it recently stepped up its efforts to regain its participation as the coordinator of international activities in the economic arena. Congress, especially the Senate, has been demanding greater participation, but it has offered little objection to the agreements signed in the last six years. Congress is also creating arenas for social participation in a manner more consistent with democratic government, but there is a long way to go before this approach is seen as a real alternative to the Los Pinos route.<sup>46</sup> Moreover, the new arenas for participation have not guaranteed those affected adversely by the trade opening that their voices will be listened to.

Much of the research needed for decision making on trade and investment has been carried out by in-house government think tanks. The main contribution of private centers has consisted of sectoral studies that were commissioned at the start of the negotiations for NAFTA and the agreement with the EU. Mexican academia has made a relatively marginal contribution except in very specific periods, such as the NAFTA negotiations, which to some extent were unexpected and included many new issues. A fairly small number of academics from fewer than a dozen public and private research centers took part in that endeavor.

There has been little publication of the findings of the research conducted by academics under contracts with the public sector during the early stages of the opening. The studies that are accessible had little influence on the adoption of specific negotiating positions. Of course, some of the commissioned studies or academic research made similar recommendations on a gradual opening; this was the case, for example, of the financial and automotive sectors. But although this was the position taken by the Mexican government in

the negotiations, that stance owed more to pressure from powerful business sectors. In other words, there are solid grounds for saying that the main contribution of most of the research carried out in the first half of the 1990s was to legitimate government decisions, including the signing of NAFTA.

Trade opening, and most particularly NAFTA, had significant effects on Mexican academia. In the more than ten years that the agreement has been in force, there has been an increase in the number of academic institutions carrying out pertinent research. Several universities, both public and private, have established new research centers on economics and international relations in Mexico City and beyond. Most of the research on trade and investment opening consists of *ex post* analyses of unilateral liberalization in the 1980s and of NAFTA. At the same time, academics have taken advantage of their greater access to information (which was very limited up to two decades ago) to carry out their research. This extensive literature, however, seems to have been disregarded for the negotiation of other agreements. Analysis of how these accords work remains to be done.

Many academics from old and new centers continue to do research under contract to the public sector, but it is hard to gauge the impact this has on the corresponding policies because most of them are not made public. Comments by the researchers interviewed suggest that sometimes they have had some influence, though almost all of them point out that the proposals or recommendations were only partly taken up by the state apparatus. Between the periods before and after the political changeover of 2000, there were no substantive differences in the patterns of linkage described, except inasmuch as the legislature, or some of its members, gradually established closer links with researchers.

A rapid review of a significant number of relevant publications prompts the observation that very few of them can be seen as an original contribution to theories of foreign trade. They tend to offer more or less rigorous analysis geared to proving, or sometimes disproving, some underlying theoretical assumptions. Few studies make specific recommendations. Decision makers criticize this, and complain that the researchers are a step behind the pace of the trade negotiations and of changes in international markets.

The Mexican government has turned not only to academia for advice but also to the rapidly rising number of private consultancy firms. Some of these are now like small think tanks. Entrepreneurs also resort to them increasingly, as well as to academics in private universities, as a means of acquiring information on the agreements and their implementation.

Finally, despite the obstacles and mounting criticism in Mexico, there is a general sense that the economic model is here to stay but that some more or less significant changes will have to be made. In other words, one important contribution of academia, and to some extent of other experts, has been to broaden the terms of the debate. Thus it can be said that academic research, and even that produced by the think tanks, has helped democratize the discussion.

The different options suggested by academics range from deepening NAFTA to intensive efforts at diversification that, it is argued, would make

the Mexican economy less vulnerable to the U.S. cycle. To that end, better use should be made of the wide range of existing agreements. A few years ago, discussion in academic circles, especially in the United States and Canada, turned to the possibility of moving toward a customs union. This idea, however, is not shared by the great majority. Another proposal being discussed in Mexico, with a view to facing Chinese competition in the U.S. and domestic markets, centers on taking advantage of the existing agreements between Latin American countries, and even the trade agreements between those countries and the United States, to create more competitive productive chains at the national or regional levels.

There is no shortage of those who continue to insist that the domestic structural reforms are the most important factor, and that these could ensure that small and medium-size enterprises are well placed to compete in foreign markets. Even enthusiastic proponents of trade opening, and of economic liberalism in general, have begun to stress the need for an industrial policy that stimulates the growth of industry geared to the domestic market. They also argue for other policies to enhance the competitiveness of the Mexican economy and allow the country to make the most of the opening in a more socially equitable way.<sup>47</sup>

## NOTES

1. Academics who concentrate on what has been called basic science are concerned about establishing general propositions (Weiss, 1992).
2. Despite this scarcity, there are studies on the role of academia in economic opening in general, and of trade opening (as a part of that) in particular. Since the 1990s the latter has been closely linked to the former in the area of investment (Babb, 2001; Centeno, 1994; Ibarra and Alberro, 1989).
3. Some authors mention the “incentives” of the IMF and the World Bank; others use the notion of conditionality. The letters of intention signed with the IMF, and in particular that of March 1985, included clear commitments in the area of trade liberalization. Loans from the World Bank were also conditional on such opening. U.S. pressure took the form of the rigorous application of new trade laws and regulations following requests from U.S. producers for countervailing duties on Mexican imports. For more information on this latter strategy, which was more efficient, see the article by a former U.S. official (Lyman, 1989). Also see Urzúa (2000) and Milner and Keohane (1996).
4. The first feature is its wide *diversity*. For example, there are large exporting companies (which already had or managed to establish strategic alliances with foreign companies); entrepreneurs that export and also supply the domestic market; and a broad range of small and medium-size businesses working for the domestic market. The second feature is the *nature of their organizations*: whether they are more or less close to or dependent on the state. The third is the *control* that the large, pro-opening entrepreneurs have over most business organizations (Alba Vega, 1993; Hernández, 1991; Puga, 2004).
5. At the time, more attention was paid to the negative aspects or the risks posed by an interventionist state than to the advantages previously conferred by such intervention (Alba Vega, 2005; Torres, 2005a).
6. This is in contrast to the more intense participation in the debate on the first attempt to accede to the GATT in 1979 (Casar and González, 1990).

7. Although those who stress the presence of a corporative pattern of interest representation, in this period underline that the private sector was the least corporatized.
8. For a long time the Mexican regime consulted entrepreneurs on important decisions that affected them. The exceptions to this, which occurred at some points in the previous twelve years, had led many businesspeople to demand new rules.
9. The international departments of the main business associations supported this coordinating mechanism with staff (Alba Vega and Vega, 2002).
10. An effort was made to form working groups by sector. The COECE claims to have arranged 400 meetings with government officials before starting the negotiations, and to have organized about 350 seminars and workshops to inform businesspeople of the goals, risks, and opportunities involved in the negotiation of the agreement (Alba Vega and Vega, 2002: 67).
11. The institutions represented were the Autonomous University of Mexico, the College of Mexico, the College of the Northern Border, the Monterrey Technological Institute, the National Polytechnical Institute, the Autonomous Technological Institute of Mexico, and the National Universities Association.
12. The sectors that were dealt with individually were the automotive, textile, agricultural, and energy sectors.
13. The COECE produced seventy-one sectoral studies for the negotiation of the agreement with the EU and held about 400 meetings with government officials and negotiators (Alba Vega and Vega, 2002: 69).
14. The COMCE describes itself as a representative of its members "and an interlocutor with the agencies on all matters related to foreign trade and investment." It also refers to its "lobbying through the committees and counterparts in the negotiation of several international agreements," as well as lobbying public agencies in other countries.
15. The agricultural producers, especially those in the area of grains and oilseed products, face not only growing external competition but also the dismantling of the support that they received for several decades through BAN-RURAL, CONASUPO, ANAGSA, and FERTIMEX.
16. In line with NAFTA, only maize, beans, and powdered milk were to be protected until 2008.
17. As a share of GDP, exports grew from 12.9 percent in 1993 to 14.4 percent in the first year of NAFTA, to 26.8 percent in 1995, the first year of the financial crisis, and to 26.4 percent in 2005. In the same years, imports accounted for 16.3, 18.7, 24.3, and 27.3 percent of GDP (Romero, 2003; [www.inegibi.gob.mx](http://www.inegibi.gob.mx)).
18. It offered periodic results reflecting the economic variables affecting protection at the subsector level. A summary of the results is available in articles published by its Director General (Ten Kate and De Mateo Venturini, 1989a and 1989b).
19. Since the 1950s the bank (and sometimes also the Finance Secretariat) had sent some Mexican economists to study abroad, especially to the United States, several of whom were later recruited. In those years the "financial sector" within the government was seen as that of "technical specialists," in contrast to other secretariats where "politicians" prevailed. In a book first published in 1963, Vernon anticipated the confrontation between the two "groups" (Vernon, 1967).
20. In general, they had received their first degrees in Mexico. Some still came from public universities, but a large number came from prestigious small public institutions (such as the College of Mexico) and private universities (such as ITAM and ITESM).
21. It seems that only one of the negotiators involved in the talks for accession to the GATT remained in SECOFI. There were then partial restaffings.

22. This was not only the position of individual economists but also of the National Council of Economists, which was one of the actors that took a very active part in the debate promoted by President José López Portillo (Casar and González, 1990).
23. Much has been said about pressure from the World Bank and the IMF in this respect.
24. The Federal Institute of Access to Information was created for this purpose.
25. Such was the case of a long-standing research project by researchers at the College of Mexico on the possible effects of opening on the services sector. At the time, the conclusion was that it was not advisable.
26. According to specialists in international law, this would have led to the adoption of “juridical concepts very similar to those of Anglo-Saxon countries, and would even lead to a break with the continental or Romanist tradition.” On several issues, the protectionist tradition toward national researchers and technical specialists was abandoned. As was to be expected, the same thing happened in the area of foreign investment (Berruero García, 2005).
27. Unlike the background study for the negotiations with Japan, which was prepared by a researcher at the College of Mexico.
28. CONACYT’s priority is to relate academia to the productive sector, and thus foreign trade and investment matters move to a second level. This is reflected in the smaller share of funds allocated to these issues.
29. It is true that the low salaries offered by many of these institutions increasingly push them to accept consultancies, but the criteria governing membership of the National System of Researchers are academic. The system offers scholarships, in line with the academic level of each professional, that are de facto a supplement to the researcher’s salary. Membership of the system makes it easier to secure financial support for research and, of course, bolsters the researcher’s prestige.
30. Its rapid growth from a small teaching institute created in the 1940s by a handful of entrepreneurs was driven by some government agencies and, most particularly, by senior officials of the Bank of Mexico. Most of these sponsors had been part-time professors or students in the institution. The interest of the government’s “financial sector” in this growth, and especially that of the Department of Economics, grew in parallel with the radicalization of UNAM’s School of Economics and, in general, of that of most public universities, especially as of the 1970s (Ibarra and Alberro, 1989).
31. This center’s main task is to provide advisory and consultancy services to government agencies, firms, and international organizations. The Center for Economic Research was set up in 1993 for the purpose of academic research. Some of its researchers, however, sometimes offer consultancy services. For their part, researchers in the International Relations Department and the Law Department have monitored NAFTA. The Center of Inter-American Studies and Programs was recently created to conduct research on economic and social issues. Currently, ITAM is the venue for a European Studies Program financed by the EU.
32. What was initially called the Monterrey Institute of Technology and Advanced Studies (now, the Monterrey Technological Institute) was created—like ITAM—in the 1940s by a group of entrepreneurs in Monterrey with the goal of training personnel for private firms. It has grown rapidly in the past decade and has set up venues throughout the country (including Mexico City), as well as in some countries of Latin America. Its Graduate School of Business Administration and Leadership (EGADE) has devised programs to strengthen the competitive position of companies such as CEMEX, GAMESA, and Grupo FEMSA. It has also created arenas for research on broader issues of

- the international economic situation, trade, and investment. Several of its professors, on a private basis, are consultants for private firms.
33. As an example of those that analyzed the first five years, see the book coordinated by Beatriz Leycegui and Rafael Fernández de Castro (2000), whose authors included researchers from ITAM, CIDE, and the Free School of Law.
  34. This growing concentration was evident after 1990. In that year, 20 percent of exports were made by nine companies, and in 1996 by five. In the same year, 60 percent of the exports came from 182 companies and the others, from about 17,000 firms. In 2000, the maquiladora industry accounted for half of exports. This fell in the following years because of the recession in the United States and has begun to recover. The recovery has been slower than expected, a circumstance attributed to greater competition from China in the U.S. market (Alba, 2005).
  35. In 2004, a little more than 86 percent of Mexico's exports went to the United States, which was the source of 56 percent of its imports. The EU, the LAIA countries, Canada, and Asia, in that order, were the other main export markets; on the import side, the sources were Asia, the EU, the LAIA countries, and Canada ([www.inegi.gob.mx](http://www.inegi.gob.mx)).
  36. Its mission is to "offer technical support and analytical information to members of the legislature and legislative committees in an objective, impartial and timely manner, in line with the norms of academic research." It is an "institutional and non-partisan body."
  37. The center has thirty-one officials and twenty-seven researchers. Some 15 percent of the latter have a doctorate and 54 percent have a master's degree ([www.cedrssa.gob.mx](http://www.cedrssa.gob.mx)).
  38. The center also has agreements with Chapingo, the Postgraduate College of Agricultural Sciences, UAM, the Antonio Narro Autonomous Agricultural University, the Northeastern Center for Biological Research, and the Institute of Mayan Rural Development Studies. It is acknowledged that the center can conduct only limited research directly, which is the reason for such agreements.
  39. Several researchers of the Metropolitan Autonomous University and FLACSO Mexico have carried out such research.
  40. The entrepreneurs have been reluctant to provide the names of these consultancy firms. One of the few that offered a name referred to the Associate Economists Group (GEA).
  41. CEESP produces analysis on firms' political environment, the macroeconomic situation, Mexican competitiveness, and the global outlook. It publishes daily economic indicators for Mexico and the United States. It also looks at the development of the regulatory environment in Mexico's states.
  42. For instance, at the request of the Civil Service Secretariat (Secretaría de la Función Pública), it is preparing a survey on "Governability and Business Development." It seeks to examine the problem of corruption and its effects on how companies operate.
  43. This association brings together, in particular, consultancy firms working for the construction industry, despite efforts for several years to include firms from other branches. It has had most success in inducing membership by environmental consultancies.
  44. Especially as regards the provisions of chapters 19 and 11 of NAFTA, procedures on safeguards and unfair trade practices (antidumping and subsidies), as well as on economic competition.
  45. Besides economic and other analysis that tends to support Mexican economic liberalization (though recently such analysis has been more critical), worth noting is the CIDAC-Zogby survey, *Mexico and the United States. Cómo miramos al vecino* in 2006. This, together with another by CIDE/COMEXI, started the trend for studying the two neighbors' attitudes to each other.

Recently, they have published a book that amounts to a proposal consistent with a think tank (Rubio et al., 2006).

46. Los Pinos is the headquarters of the Mexican presidency.

47. There has been a significant shift in the position of many of NAFTA's main supporters, who insisted that "the best industrial policy is no policy." In agriculture, too, they recognize the importance of government incentives to facilitate reconversion. Moreover, they accept the need for better regulation of domestic competition and insist that NAFTA is not a "development strategy" but rather one of the instruments that such a strategy can use.

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# 5 The Management of Knowledge in Trade Policy

## The Case of Uruguay<sup>1</sup>

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### INTRODUCTION

In recent decades the international system has undergone significant changes that affect the social, economic, and political circumstances of states, and that therefore oblige countries permanently to adapt their trade policies. The newly emerging structure has created a set of rules that affect not only global trade in goods and services but also national trade and production policies, as well as the current and potential competitive advantages that the different countries could develop. Issues such as the environment, intellectual property, working conditions, investment, services, and science and technology have added new ingredients to trade and competitiveness, in addition to the classical trade negotiations on tariff and nontariff matters of the 1980s, when the Uruguay Round of the GATT began in 1986.

In this context, national states must develop new institutional capacities in the foreign trade area, so that they can act simultaneously in several negotiating forums and respond to an increasingly complex, dynamic, and technical agenda. Institutional strength in these fields arises from a complex combination of bureaucratic-administrative and political capacities. Bureaucratic capacity concerns has an impact on the efficiency of the state apparatus to mobilize its institutional, human, and technological resources in order to pursue official goals. Political capacity means the performance of the bureaucratic apparatus in its broader political context—expressed not only in relation to the legislature and the judiciary matters, but also in the way in which the state receives and prioritizes the demands expressed as public problems through the activities of actors in the political arena or through wider groups.<sup>2</sup>

This study seeks to analyze the institutional capacities of the Uruguayan state in the field of trade policy and the role of specialist knowledge in decision making. The chapter is organized as follows. First, it examines the importance of knowledge as a central element in strengthening the institutional capacities of national states in the area of foreign trade, and in enabling them to act effectively in a new international and regional context. Second, the chapter identifies the most salient features of Uruguay's public administration

in order to establish the context in which the knowledge available in the state is accessible and can be used to improve decision making. Third, the study maps the public and private organizations that produce information and conduct research on the issue, and examines the links between research output, on the one hand, and the information and training needs of public organizations, on the other. Finally, it identifies the constraints on the use of knowledge in decision-making processes, and analyzes the need to develop strategies that allow those constraints to be surmounted.

The findings are based on fieldwork in Uruguay between 2004 and 2006. The approach centered on analyzing the institutional capacities to manage trade policy during the administrations of Jorge Batlle (2000–2005) and the successor government of Tabaré Vázquez, whose term began on March 1, 2005. Attention was paid to management rather than individual capacities, with a view to understanding the nexus between knowledge and public policy making.<sup>3</sup>

## **1. INTERNATIONAL CONTEXT, SPECIALIST KNOWLEDGE, AND THE WEAKNESS OF INSTITUTIONAL CAPACITIES**

### **1.1. The New International Order**

One of the most examined phenomena of our times is the extraordinary interconnection among local, national, and international processes and institutions, an interconnection that calls for profound changes in the organization and management capacity of national states. Globalization, economic internationalization, and the proliferation of trade agreements have changed the outlook for international trade. The number of regional trade accords in force now exceeds two hundred and has increased sixfold in the past twenty years.<sup>4</sup> Today, more than a third of global trade is between countries that have some kind of reciprocal regional agreement, and the main players are the European Union (EU) and the United States (World Bank, 2006).

The conclusion of new agreements and economic globalization have created new actors, increasing the influence of transnational companies, nongovernmental organizations (NGOs), consumer groups, and others. Increasingly, therefore, the activities of political and economic actors extends beyond national borders and national decision making is ever more permeable to the influence of those actors' decisions (Messmer, 2002). This pattern further blurs the distinction between external and internal affairs, between international and local policy, and between international and domestic law.

Given this context of ever denser global interdependencies and the creation of structures in the global economy, it is urgent to reconsider how to plan and foster the socioeconomic development of national economies.

This does not mean, however, that the state is being eclipsed because it is losing its policy-making autonomy as a result of its greater dependence on the international context, as well as on trade and foreign investment. International indicators reveal that market “credibility” is associated with a stronger state role. The countries that have had most economic success in a globalized economy are those that have most control over it (World Economic Forum, 2005; Kaufmann et al., 2005). Hence, the state’s institutional capacity stems from its ability to independently forge a link between domestic and external policies that serve its interests.

In this new context, foreign trade policy should become a dynamic process of responding to a changing context, improving international insertion, and acting as a bridge for investment and technological innovation. For its part, the state should become a flexible, efficient, professionalized, and transparent organization, one that is connected to society and in which knowledge is central to the formulation and implementation of public policies.

In that process, evidence-based decision making and the use of knowledge are central to public administration in the twenty-first century. Hence, we have the emergence of concepts such as “evidence-based policy” (Davies and Nutley, 2001), which affirm the need to link political decision makers’ personal experience and knowledge with the best available evidence from academic studies.

To that end it is essential to have timely information, use it in decision making, transform it into knowledge, and make it yield high strategic value. In this sense, knowledge is the capacity to relate data and information on a particular issue in a highly structured manner, allowing effective action to be taken on the basis of a given value and context.<sup>5</sup> From an epistemological perspective, knowledge’s structure ranges from levels of tacit context found in the cultural environments within which human activity is developed, to the more structured levels that facilitate legitimation of institutional or collective decisions and actions, as is the case of strategic plans (Polanyi, 1966, cited by Nonaka and Takeuchi, 1999). The key in public administration is to make tacit knowledge explicit and ensure that they are effectively linked (Peluffo and Catalán, 2002).

Thus states’ institutional capacity to devise a domestic strategy of international insertion is a central issue to consider in this new and historic context. To analyze these matters, this chapter will first look at the situation in Latin America, with which Uruguay shares some features in common.

## **1.2. Trade Reform and Institutional Weaknesses in Latin America**

The trade reforms undertaken in most Latin American countries in the 1990s sought the strategic integration of the region’s economies into the world economy, making them more open and competitive with the region and the rest of the world, and increasing export capacity. The modest economic and social results, however, have spurred a significant debate about

the outcome of the reforms and, in particular, the link between trade opening and economic performance.

Latin America's overall economic performance has been less satisfactory than that of the Asian countries. The region's real per capita income growth lags that of Southeast Asia (1.5 percent against 4.8 percent in the period 1965–2004), and the gap widened in the postcrisis period 1997–2004. While Asia's per capita income has doubled in the past fifteen years, Latin America has had to wait almost half a century for the same outcome. For various internal and external reasons, Latin America's export performance has been ineffective in developing a diversified supply that goes beyond traditional exports of primary products (CEPAL, 2004).

This has sparked a debate in the specialist literature on whether trade liberalization has made a positive contribution to the region's economic growth and social development. More skeptical observers point to the weakness of some of the findings, especially as regards the correlation between economic opening and economic growth. The debate has led many theorists and policy makers to consider the central role of a trade policy that is linked to a country's overall development strategy, and the importance of strengthening political and institutional fundamentals in order to accompany that process (North, 1990; Rodrik, 1999; Subramanian and Trebbi, 2004; Jordana and Ramio, 2002; CEPAL, 2002; Devlin and Estevadeordal, 2003; French-Davis, 2005).

Most studies point to Latin America's grave political-institutional incapacity to play a strategic part in the new global trading arrangements, even though most countries have undertaken numerous reforms of their public administrations. These weaknesses have also been pointed out by several of the region's negotiators and foreign ministers, who argue that the recent complexity of the negotiating agenda and the simultaneity of the negotiations are circumstances that have caused Latin America to negotiate "blindfold" and with few human, technical, and financial resources (Nogués, 2003). The concessions negotiated in a wide range of issues, such as investment, government procurement, intellectual property, and the environment, could seriously constrain maneuvering room in the formulation and implementation of national policies, including competitiveness policies. Moreover, there have been no evaluations of the possible economic consequences of the new issues in trade agreements. Hence, there is the importance of overcoming the institutional deficits, so that the countries of the region can take a firmer and more consistent bargaining position in the different negotiating fora, a position that is linked to a clear strategy for the region's integration into the regional and international context (Nogués, 2003; Opertti, 2002; Amorim, 2003).

In this respect, the following have been identified as weaknesses: (1) scant capacity to strengthen the political influence, as well as the technical and strategic capacity, of the organizations with basic responsibility for trade policy; (2) difficulty in implementing efficient interministerial

coordination mechanisms to respond to the diversity of the issues in current trade agreements; (3) weakness in properly overcoming the problems of managing asymmetric information between trade policy decision makers and other governmental and private actors; (4) constraints on linking the sectoral interests of social and business actors, so as to ensure that the national interest prevails (Jordana and Ramió, 2002). In general, and as a result of incomplete institutional reforms, these problems are shared by most of the region's public administrations. But there are some exceptions. Chile is one of the more prominent examples, and Brazil and Mexico are also worth mentioning in this regard.<sup>6</sup>

The ideas put forward here lead us to a detailed examination of the institutional capacities that Uruguayan public organizations have developed in order to respond to changes in the environment, as well as to incorporate knowledge into trade policy decision making.

## 2. URUGUAY, INSTITUTIONAL WEAKNESSES, AND TRADE POLICY

### 2.1. The International Insertion Strategy and Lingering Challenges

Uruguay is notable in Latin America because of the gradual and moderate way in which it implemented the reforms of the Washington Consensus. Trade opening began gradually in the 1970s and made further progress in the 1990s, when regional opening (Mercosur) took primacy under the presidencies of Luis Lacalle (1990–1995) and Julio María Sanguinetti (1995–2000).

In the late 1990s, however, the integration process underwent a series of crisis. The Brazilian devaluation and the recession in Argentina brought about a deterioration in relations with the Mercosur partners, and various kinds of nontariff barriers were introduced. These circumstances called for a reorientation of Uruguayan trade policy. The Jorge Batlle administration (2000–2005) took a position that was critical of Mercosur and sought closer relations with the United States, as well as bilateral links with other countries. An example is the signing of the free-trade agreement with Mexico in 2003 and the investment agreement with the United States in 2005.

The current administration of Tabaré Vázquez faces a complex negotiating agenda on several fronts. As a member of the Latin American Integration Association (LAIA), the country has concluded several preferential trade agreements.<sup>7</sup> Uruguay has an autonomous trade policy, but this has to be compatible with Mercosur membership. Through its participation in Mercosur, Uruguay is a signatory to preferential agreements with Chile (1996) and Bolivia (1997), as well as two framework agreements to create free-trade areas with Mexico and the Andean Community (see Table 5.1). It has several agreements with countries beyond the region, including a framework accord with the Southern African Customs Union (SACU), India, Egypt, and Israel (Vaillant, 2006).

*Table 5.1 Trade Agreements Signed by Mercosur(a)*

	<i>Date(b)</i>	<i>Characteristics of the Agreement</i>	<i>Tariff Reduction Time Frame(c)</i>
EU	1995	Free-trade area framework agreement	
Chile (economic complementarity agreement 35)	1996	Common-format free-trade area	10 years
Bolivia (economic complementarity agreement 36)	1997	Common-format free-trade area	10 years
South Africa	2000	Free-trade area framework agreement	
Cuba-Brazil (economic complementarity agreement 43)	2000	Preferential agreement	
Cuba-Uruguay (economic complementarity agreement 44)	2000	Preferential agreement	
Cuba-Argentina (economic complementarity agreement 45)	2000	Preferential agreement	
Cuba-Paraguay (economic complementarity agreement 52)	2001	Preferential agreement	
Mexico-Brazil (economic complementarity agreement 53)	2003	Rules and disciplines	
Mexico (economic complementarity agreement 54)	2003	Free-trade area framework agreement	
Mexico (economic complementarity agreement 54)	2003	Automotive, bilateral format	
Mexico-Uruguay (economic complementarity agreement 60)	2004	Bilateral free-trade area	
Andean Community (economic complementarity agreement 56)	2003(e)	Free-trade area framework agreement	(d)
Ecuador, Colombia and Venezuela (economic complementarity agreement 59)	2005	Bilateral free-trade area	15 years
Peru (economic complementarity agreement 58)	2005	Bilateral free trade area	15 years
Egypt	2004	Framework agreement	
Morocco	2004	Framework agreement	
SACU	2004	Preferential agreement	
India	2003/ 2004	Framework/preferential agreement	
Israel	2005	Framework agreement	

a. Including bilateral agreements with third countries after 1994.

b. Year of entry into force.

c. Time frame for removing tariffs on 95 percent of all items.

d. Immediate application, though there is a list of exceptions with fixed preferences.

e. Only transposed by Brazil.

Source: Vaillant (2006).

At present, Uruguay has to take part in the more than thirty separate spheres in which Mercosur is involved in trade negotiations.<sup>8</sup> This is in addition to the more important negotiating fora such as the talks with the EU and the United States, as well as at the multilateral level. Uruguay is a founding member of the World Trade Organization (WTO) and takes an active part in the multilateral trading system, which it views as vitally important because it is essentially an exporter of agricultural products. Uruguay's interest, unlike that of the United States and the EU, is to lower the high level of protection on and/or subsidies for agricultural products and raw materials. Consequently, there are several linked, ongoing negotiating processes such as the current talks with the EU for an association and free-trade agreement, on the expansion of offers in the areas of agriculture (EU), industry (Mercosur), and services (Mercosur), taking account of "the co-existence of bilateral and multilateral negotiations" in the WTO.

It is not only the negotiating fronts that have become more complicated; so too have the issues. Although the old issues are priorities for Uruguay (market access, sanitary norms, antidumping measures), the main players—especially the EU and the United States—want to reach agreement on the "Singapore issues" (intellectual property, investment, competition policy, science and technology, government procurement). Hence, the old issues are only some of the matters in the current negotiations, while other issues are increasingly prominent on the agenda of the Northern negotiating partners. These circumstances explain why it is important for Uruguay to take a position on these matters.

In this context, Uruguay faces enormous challenges in its efforts to ensure successful international insertion. Paradoxically, its main export markets are not those countries toward which Uruguay geared its trade agreement strategy. The United States should be noted in this respect: its share of Uruguayan exports rose from 8 percent in 2001 to 20 percent in 2004.

A review of other indicators reveals that there has been no increase in trade's importance relative to GDP. Uruguay has shown itself to be fairly ineffective in diversifying exports. Its export profile is still marked by a concentration of goods with a high agricultural content (see Table 5.2),

*Table 5.2* Structure of Uruguay's Exports and Imports

	<i>Primary Products</i>		<i>Manufactures</i>		<i>Goods with Higher Technology Content</i>		<i>Fuels</i>	
	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>
1950–1969	43.16	88.63	12.64	10.55	28.1	0.31	16.09	0.51
1970–1989	14.91	66.62	14.79	27.53	42.88	5.51	27.42	0.33
1990–2000	13.43	52.65	24.56	34.49	50.69	12.2	11.32	0.57

*Source:* Bértola (2004).

giving rise to a model of trade specialization in industries with little value added and only modest technological potential (Bértola et al., 2004).

The complex scenario facing the country prompts questions about the state's institutional capacity to manage trade policy—that is, the institutional, human, and technological resources available to use relevant information and knowledge on the issue and incorporate it into decision making.

## **2.2. The Management of Trade Policy**

Like any other public policy, trade policy contains and needs, explicitly or implicitly, guiding principles, a strategic framework, and a sense of direction. Such principles are central to the development of institutional capacities. Traditionally in Uruguay, however, the strategy behind trade policy has been more implicit than explicit, more informal than strategic in the medium and long term. The country's leadership<sup>9</sup> has had a clear vision of Uruguay as an exporter of agricultural products, and thus there has been a clear interest in and knowledge of the issues on the "old agenda": sanitary norms, antidumping measures, and so on.

In recent governments the negotiators have had two clear aims in trade negotiations: to secure greater access to agricultural product markets, often expressed as a quota for meat; and to ensure that "basic telephony should be a public monopoly." The country has not had an official position on the other issues. Moreover, in recent years Uruguay has suffered a deterioration in its strategic outlook that constrains the prospect of forging a unified negotiating position, a process related to Mercosur's loss of legitimacy as a vehicle for Uruguay's growth and development. The words of the director of the Industry Unit in the Ministry of Industry, Energy, and Mining summarize the outlook of most members of the government:

I understand that there is a lack of coordination at the level above the national coordinators, the level above the national directors, the ministerial level. There we need a political body in which we set out clear ideas, set out guidelines, listen to the negotiators, interact and decide some things, because sometimes you need more specific political backing on certain issues.

Because the country lacks strategic management in the area of international insertion, what often take primacy are the different perspectives of the ministers or directors of executing units as regards the national position in the various negotiating fora (multilateral, regional, and bilateral), and as regards the new issues on the negotiating agenda. Moreover, because information and knowledge do not circulate among the different agencies or directors, they have only a modest impact on the forging of a common negotiating position. Because of the experience, practice, and dedication of some officials, the gap has narrowed; but the disparities remain

significant. This is partly because of the poor allocation of human and material resources to foreign trade, which makes it impossible to cover all the issues. But there is also a lack of vision on the part of the political class, a lack of commitment to help set up institutionalized coordinating bodies, and a dependence on the officials in office at a particular time, their capacities, and political support.

### 2.3. Authority in Trade Policy

At the state level, responsibility for trade policy is shared between the Ministry of the Economy and Finance (MEF) and the Foreign Ministry. According to article 168 of the constitution, the president is responsible for managing the country's international relations, acting with the Foreign Ministry or the Council of Ministers. Article 2 of decree 35/96 defines the Foreign Ministry as the administrative political institution of government that is responsible for representing the state in international fora. It is also responsible, together with other ministries, for ensuring that the country complies with its international obligations.<sup>10</sup> According to decree 442/997 of 13 November 2007, the MEF is responsible for "*the higher management of national economic financial and trade policy.*" Both ministries, through the office of Uruguay XXI, are responsible for promoting exports and investment<sup>11</sup> (see Appendix).

The most important reform during the current government has been the merging of the Foreign Trade Directorate, responsible for the coordination of and participation in multilateral, regional, and bilateral trade negotiations, and the Trade Policy Office; units that operated under the aegis of the MEF have been merged into one.<sup>12</sup> Thus the MEF, through the Trade Policy Office, is responsible for devising and implementing trade policy. The Trade Policy Office provides the MEF with the advice and information needed for the higher management of foreign trade policy, as well as for the implementation of internal policy in coordination with regional and international policies. It is responsible for coordinating trade negotiations, administering customs, and advising the president on trade policy. It also holds the chair of the Uruguayan Tariff Commission, which sets import tariffs.

For its part, the Foreign Ministry is responsible for planning, directing, executing, and implementing Uruguayan foreign policy in all fields, including trade policy.<sup>13</sup> Trade negotiations in fora such as the WTO and Mercosur are conducted in coordination with the MEF and with the technical support of other departments. The Foreign Ministry has two departments that are directly involved in international trade and that work in coordination with each other.<sup>14</sup>

As regards the participation of the sectoral ministries in trade policy, the most significant are the Ministry of Industry, Energy, and Mining, and the Ministry of Livestock, Agriculture, and Fisheries. Within the former, the National Directorate is responsible for analyzing and monitoring

national and international industrial conditions, overseeing the issues of investment, unfair international trade practices, and safeguards, and managing the special regimes set out in the prevailing legal and regulatory provisions, among other areas related to international trade. The latter ministry has an International Affairs Unit that monitors and takes part in some negotiating fora of interest to the agricultural sector.

The Office of Planning and Budget is responsible for linking decisions on international and trade policies to national plans, programs, and policies, as well as for advising the executive branch on the issue. The Sectoral Commission for Mercosur (Comisec) was set up in 1991 to advise the executive on regional integration; it comprises representatives of the government and the private sector.

Other significant organizations related to trade policy are the Central Bank, which oversees monetary and financial stability, and the Uruguayan Technological Laboratory, which is responsible for applying metrology-related legislation and verifying compliance with technical norms. It also administers and controls the special regimes to support industry and exports, including the temporary admittance regimes.

In the private sector, the Uruguayan Chamber of Industry, the Mercantile Chamber of National Products, the National Chamber of Commerce and Services, the Uruguayan Rural Association, and the Uruguayan Union of Exporters (UEU) are consulted informally on the development of foreign trade.

Finally, Parliament (article 5, section 7 of the 1996 constitution) has to approve international agreements and should play an important role as an overseer of trade policies, though in practice its role has been weak in this regard.

It is clear that there are various and diverse institutions involved in trade issues, and thus coordination is crucial to the management of a successful trade policy. The institutional structure, however, is very weak in this respect. Uruguay lacks strong and institutionalized coordinating mechanisms at the strategic political level in the MEF and the Foreign Ministry, as well as between the sectoral ministries and, fundamentally, with the presidency.

Through the MEF, the current government has put particular emphasis on coordination with other ministries and the private sector. To that end it set up the Interministerial Council on Foreign Trade (decree 101/06) with the basic goal of strengthening the country's activities in the area of international insertion, negotiations, trade promotion, and investment attraction. This body comprises the Foreign Ministry, the MEF, the Ministry of Livestock, Agriculture, and Fisheries, the Ministry of Industry, Energy, and Mining, and the Ministry of Transport and Public Works (see Table 5.3). It is hard to assess its performance, however, since it was set up only recently.<sup>15</sup>

For its part, the National Section at the Mercosur level is a mid-range political and technical body comprising coordinators and national

Table 5.3 Trade Policy Coordination Mechanisms

	<i>SPHERE</i>	<i>PARTICIPANTS</i>	<i>LEVEL</i>	<i>COORDINATED BY</i>	<i>COMPOSITION</i>	<i>FREQUENCY</i>
National section (1995)	MERCOSUR	Involved state organizations. Ad hoc private-sector participation	National coordinators and directors	Foreign Ministry	Plenary session and issue-specific working subgroups	Weekly subgroup meetings
CIACEX (2006)	Bilateral, regional multilateral	Foreign Ministry, Economy, Industry, Live-stock, Tourism Ministries	Ministers and technical experts	Economy Ministry	Ministers	Monthly meetings preceded by an experts meeting

*Source:* Prepared by the author.

directors from the various ministries involved in trade policy. Under the current administration it has been weakened as a coordinating mechanism. According to Ambassador Agustín Espinosa:

The quality of this committee's final product depends on the importance of the coordinator and the links that he or she has with the presidency, as well as with the Ministry of the Economy and the sectoral ministries. If the coordinator has less political and technical prominence, people don't go, it empties out and the product does not reflect consensus.

Moreover, the former director of the Trade Policy Office, Darío Sara-chaga, points out that "currently, the national section has become a place of little discussion, where there are few proposals and many doubts."

The lower level of activity in these coordinating bodies was partly explained by the actors involved, who were pursuing the distinct visions of the ministries represented. The prospect of successful coordination depends more on the personality of those involved in the process than on formal agreement. This is because, historically, the management of trade policy has been marked by strong personalism, and the formal coordinating mechanisms have been supplanted by informal methods largely based on personal and spontaneous contacts working along the lines of: "Call me, I'll call you." "There is always the phone. If something is important, we can meet."<sup>16</sup>

Except for when the Foreign Trade Directorate (now the Trade Policy Office) was headed by the director of international economic relations at the

Foreign Ministry, which happened with Ambassadors Gustavo Magariños and Miguel Berthet, links between the institutions have depended on the personal relations between their chiefs and on their political party affinities.

Because of these circumstances, the negotiating fora and issues were distributed informally, justified by the leading negotiators on the grounds that:

The country does not have enough people to have a dedicated team for the WTO, another for Mercosur and another for the FTA. In general they are the same people, wearing different hats, “few and aged”, and whoever negotiates does not get to know the issues in detail.<sup>17</sup>

Thus there is a certain amount of institutional weakness attendant on the ambiguous division of labor, spheres, and authorities. In other words, there is a gray area in which the will of the most active ministry takes precedence. The institutional arrangements are not optimal, and the changes made have not had positive effects on trade policy management. Some long-standing features continue to hamper the consolidation of an efficient institutional structure.

When the left won the presidency in October 2004 with the support of 50.4 percent of the population,<sup>18</sup> there seemed to be a favorable environment in which to reach the consensus needed to devise a clear strategy of international insertion. But the current composition of the new cabinet, divided among various factions of the Frente Amplio, makes the context more complex. Several obstacles remain to be overcome in managing the disagreements among the various public-sector actors that comprise the political left. This is why, in the government’s early days, contradictions have emerged when the economic team, led by the Economy Minister, Danilo Astori, has emphasized matters such as the signing of the free-trade agreement, while the Foreign Minister, Reynaldo Gargano, has expressed his opposition to the accord, along with the other political forces of the Frente.

In this respect, the great challenge facing the present government is to manage the disagreements and oversee decision making, setting out medium- and long-term strategic guidelines on trade policy (political capacity). There is also a need for a far-reaching reform of the state. The new administration has a bureaucracy that will not bring about the flexibility and coordination needed to devise and implement public policies (bureaucratic-administrative capacity). Specifically, there are significant difficulties in adapting the government structure to the new requirements of modern trade policies. Most particularly, there are a number of structural problems in the government units responsible for trade policy. These include the overlapping of functions between the two ministries in the area of negotiating issues; deficient links between institutional, human, and material resources; problems of coordination among state agencies; the scant participation of social actors in the process and its weak institutionalization; and above all, the dominant role of personal leaderships and

weak respect for the current institutional structure. Closely related to this, as the next subsection shows, is the problem of Uruguayan trade policy's management of information.

## 2.4. The Role of Knowledge in Trade Policy Management

Historically, the Uruguayan state has not developed adequate tools to respond to demands for knowledge in a systematic and timely way, despite the importance of knowledge for strategic planning and decision making in the area of foreign trade policy. Anyone who wants to know all the economic agreements that Uruguay had negotiated with other countries has to ask each secretariat of state, individually, for the information in its area of competence. For instance, if you wanted to know which exports face the most severe non-tariff barriers (phytosanitary, for example), then you have to ask the Ministry of Agriculture, Livestock, and Fisheries. On the other hand, if you want to know where investment is subject to legal disputes, you contact the MEF.

Thus the government is structured in such a way as to provide sectoral information, but without an overall vision. This has serious consequences for knowledge production and the management of trade policy. First, it makes it hard to support strategic planning with solid analytical foundations. Second, it inhibits the emergence of a shared outlook among the actors. Third, it hampers intersectoral coordination.

Although it is common practice to draw up reports in the public administration, these are used more in the intermediate stages than in the postnegotiation phase. And though officials have said it is customary to prepare periodic reports on the negotiating fora, in many cases they have been unable to obtain specific assessment reports on the pre- and postnegotiation stages.

In the words of a Foreign Ministry official, the deputy director general for international affairs:

They do not provide written reports on their activities unless expressly asked to do so by the authorities or unless they have an interest in doing so . . . Who read the reports in the public administration? There is a daily assessment. But they do not give us concrete studies on the results. Perhaps sometimes there is some external source, but we do not do it, we do not have the time or the people. Sometimes we receive material from other organizations, such as the LAIA.

This lack of technical follow-up and assessment of trade policy represents a problem of institutional memory: the accumulation of information and experience is closely related to the individual, and thus that information and experience are affected by every change in personnel. This is perhaps one of Uruguay's biggest institutional weaknesses; the marked degree of personalism, as well as the individual's assimilation into the post and the issue, are repeated in all state institutions.

There are two main reasons for this. The first is that certain senior leaders remain in their posts. The second is partly a matter of a shortage of resources. These senior officials become the visible face of the ministries responsible for policies, and are the only ones who take constant part in the pertinent bodies for trade negotiations. They acquire invaluable experience in negotiations and trade policy issues, experience that could be of great use to future staff if it were properly channeled. A disadvantage of such personalism is the concentration of power in the hands of a few, giving officials autonomy in decision-making processes within bureaucracies marked by weak accountability mechanisms.

Thus there is no institutionalized information system (the first step to improving coordination) to facilitate links between the formulation, implementation, and control of trade policies.<sup>19</sup> This gap makes it difficult to develop processes for assessment and analysis that are consistent with trade policy. Moreover, these bodies do not involve other branches of the state, such as the legislature. They also exclude other civil society actors, apart from ad hoc consultations with the private sector on specific measures and, to a lesser extent, meetings to discuss strategic guidelines and policy instruments to be adopted.<sup>20</sup>

Along with the consultation mechanisms, there are informal mechanisms that allow some individuals and organizations to go beyond consultation and acquire prior knowledge of the negotiating texts, and hence to have an influence on bargaining positions. Citizens as a whole, however, have little influence on trade policy. The only institutionalized arena for citizen participation at the national level is Comisec,<sup>21</sup> and at the regional level it is the Economic and Social Consultative Forum of Mercosur. Nonetheless, the actors involved in these fora have viewed them as fairly ineffective means of influencing decision making (Quijano, 2002).

## **2.5. The Absence of Staff Training**

The prospect of incorporating knowledge into the management of an organization depends largely on taking advantage of the innovative creativity and the training of staff. The authorities, however, have viewed the shortage of human resources as the main obstacle to working properly. A particular problem is said to be that the negotiating teams are overburdened. They have to deal with different issues simultaneously, with technical specialization, and in different fora.

Conditions have improved somewhat in the Foreign Ministry through the introduction of competitive examinations for public-sector jobs,<sup>22</sup> but several weaknesses persist. First, the human resources policy makes diplomatic posts less permanent. A diplomatic officer normally remains in Uruguay for no more than three or four years, not to mention the significant turnover of the mid- and lower-level staff in the Foreign Ministry. Hence, the training of specialist professionals is affected because there is no

guarantee that the officer will be dealing with the same issues in a posting overseas; neither is there any assurance that on the officer's return he or she will be reassigned to the same department or the same issue area. Second, in senior posts there is no link between expertise and the functions that the official really has to perform.<sup>23</sup> Third, although there is indeed staff training, only in exceptional cases is it strategically designed. In general, only a modest percentage of diplomats have training in economics and trade, and there is high turnover among these officials because their postings abroad and at home adversely affect the training.

The Economy Ministry's Trade Policy Office is making significant efforts to professionalize its staff, but it lacks sufficient human and material resources to respond to the challenges posed by a multi-issue agenda that is highly technical and negotiated on several fronts. By contrast, among the staff of the old Foreign Trade Directorate there are 127 officials who are not available.<sup>24</sup> The "too much-too little" syndrome of the public administration in the 1970s persists into the twenty-first century.

Consequently, there is an inconsistency between formal authority and the availability of people to perform the corresponding functions. Analyzing just one day in the public administration, the work calls for an army of government experts who divide their time to combat dumping, create official norms, certify the origin of imports, establish requirements for plants and animals, arrange credits with banks and international financial institutions, negotiate all kinds of trade agreements, and take positions on environmental issues, to mention just a few of the common measures. Hence, trade policy calls for ever more human capital and more specialist knowledge, and the government has problems responding to the demand.

## **2.6. Technical Studies: One of the Main Absentees**

Negotiations as complex as those now under way in the various international fora call for the training of good negotiators and for adequate and appropriate information to be made available. Uruguay, however, is marked by a series of failings because it lacks institutionalized mechanisms for the production and analysis of information within the state—information that would be an input to the negotiators, and thus would be conducive to the establishment of a better trained and more professional negotiating staff.

As regards academics, historically the public sector has resisted taking account of their proposals; as shown in the discussion that follows, even efforts to create technical support groups for the trade negotiations have failed. The economist Juan Manuel Quijano, who is linked to the foreign-trade sector, has reflected on this weakness in the following terms:

There is perhaps no other sector that is taken into account, and significantly so, in other parts of the world but not in Uruguay . . . that is the academic sector. There are people who have worked for 20 years on certain issues, and even so it is rare that anyone calls them and asks,

“What do you think?” He is not an entrepreneur or a worker, but he has studied this issue . . .

Ambassador Lacarte Muró, although agreeing in broad terms, qualified this assertion by saying that this situation is valid whenever there are efforts to reconcile such divergent approaches as that of the negotiators and that of the academic sector. According to the ambassador:

There is a fundamental difference between the negotiator, a functional and practical person . . . and the academic, who flies . . . The negotiator has a responsibility, a sword of Damocles over his head: the government, telling him “do this, not the other; you made a mistake.” The academic, for his part, says what he wants and doesn’t have to answer to anyone.

In practice, according to Ambassador Espinosa, the Foreign Ministry negotiators make use of official reports, through diplomatic channels, from official bodies. No effort is made to seek out academic information. There is a complete disengagement between negotiators and academics; academic studies are not taken into account; attention is paid only to those reports produced by diplomats and given to the negotiators. When information is lacking, the negotiator asks the diplomat to verify a matter, and the latter collects the information (orally or in writing) through official channels. Although the negotiators receive academic reports, and these are often sent to the ambassadors themselves, they are not part of the material with which the negotiator works.

Input from the business chambers, especially from certain private-sector actors, is very important as sources of information on trade policy. In many negotiating fora, such as the WTO, a small group of businesspeople has historically played a central role in trade negotiations and trade policy in that sphere (Coll and Hodara, 2004).

Think tanks have developed to only a modest degree in Uruguay. The political parties have lacked and still lack think tanks. In the traditional parties, programs are developed intermittently. Experts are generally brought together a few months before elections to take part in drawing up the programs. Once the electoral cycle is complete, the technical teams disband. On the left, it was only in the most recent election that the process was more complex and intense; the program is devised almost exclusively with the parties’ technical specialists. The parties also lack structures that allow them to take full advantage of information, analyses, and theories, as well as of staff-training policies, and in the legislature they lack good advisers. When they finally reach the executive branch, they almost always lack skilled bureaucracies (Garcé, 2005).

In short, there is no stable and institutionalized nexus between the state and the research centers that produce information on the issue. Consequently, there are no channels within which knowledge can circulate, and often the growing demand for trade policy expertise has caused the government to use individual experts. Though ministers have some flexibility about hiring personal advisers, this group of experts enters and leaves the

administration as the minister changes, even within the same government, giving rise to a “revolving door.” Since they have no institutionalized roots in the state apparatus, institutional memory is adversely affected.

## 2.7. Failed Experiences of Using Knowledge in Decision Making

Efforts have been made in Uruguay’s Foreign Ministry to create a group of technical specialists who would support trade policy decision making. The first experience was in 1985 with the creation of the “Profiles” group, financed by international organizations. This technical group wrote and published research on Uruguay’s main export markets, Argentina, Brazil, the United States, Germany, and others. These were known as “market profiles.” There were also sectoral studies on the country’s main productive chains, such as meat, rice, dairy goods, and citrus products.

This first experience was an important technical tool for the negotiators, as Ambassador Carlos Pérez del Castillo points out:

The “Profiles” group gave some findings . . . In the group we prepared the terms of the negotiations with Taiwan at a time when we still had no relations with China . . . Another experience was the negotiations with Russia. In the end these did not lead to an agreement but they let us engage in a more fruitful dialogue than we had had to that point. And the trade negotiations with China began.

This group was unable to consolidate itself and was disbanded in 1988, partly because of tense relations between the academics and the negotiators. In the words of an academic member of the group:

There was a lot of resistance to the group within the ministry. . . . suddenly there was this group that had done several studies, which to some extent questioned how things had been done. The negotiating strategy was defined without anyone having anything, an idea, a number . . . On the other hand there was great concern that we would come into the middle of their diplomatic career and end up as competitors.<sup>25</sup>

The second experience of creating such a technical group was in 1995. As a result of the establishment of Mercosur’s customs union, the group worked on the renegotiation of the bilateral LAIA agreements in order to conclude the 4 + 1 Mercosur accords. It also drew up studies to support the negotiations with Chile, producing *ex ante* assessments of the agreements, as with other South American countries, and gave courses to ministry officials.

The opinion of those involved in this group is more critical than that of the members of the “Profiles” group:

There was everything there, people who did nothing and people who did very valuable work. In general there was a perception that the group’s

goals had been distorted and it was not responding to the needs of the negotiations. So the second experience was worse because the group began to be overrun by politicians. There were people that never gave me a report, or they worked on issues that were simply not relevant, like the history of Mercosur.

On the other hand, both sides acknowledge the difficulties of coordinating the researchers and negotiators, and of making them interact:

We had first-class people but there was no dialogue between negotiators and technical specialists, there was no team work. We had very tight schedules and were traveling. And there were still the same tense relations with members of the diplomatic service, in some cases with a delay in providing information and data to do the research.

The group came to an end in 1998 with a renewal of its components and goals. Until the end of the project, work was done on the customs union, agricultural negotiations, the EU, and so on. And finally in 1998, when some of the main promoters of the project had moved abroad, there was no effort to set up a new technical group.

Thus the various efforts to establish a stable technical body to support the official negotiators failed. Relations were difficult and contentious, and there was little propensity to devise a long-term human resources policy or a system of rewards and incentives for joint work.

The negotiators point out that one of the main problems involved in consolidating a group of academics in the Foreign Ministry was the dissociation between the technical inputs that the negotiators needed when they negotiated and the kind of studies produced by the support groups. Ambassador Carlos Pérez del Castillo puts it as follows:

While the technical groups did specific studies on the FTAA or the EU, the negotiations were going in a different direction. The studies did not take account of what was being negotiated . . . There is no point to a technical study that is fantastic and that tells you all that has to be done if it is divorced from the reality of what can and cannot be done . . . So it was very difficult to reconcile the technical and the political.

Another reason is that there was no methodology for continuous analysis and monitoring of foreign-trade issues. According to Ambassador Carlos Pérez del Castillo:

Whoever is going to negotiate intellectual property with the EU must base himself on a source of information and should not be improvising different solutions . . . In general, Uruguay has very good negotiators who know the issues and who, with little instruction, have defended what they considered should be the country's position. But

often we have had to engage in negotiations without instructions . . . The information comes out of the negotiations themselves, and out of concerns—for example, if there are different proposals on tariff reduction, the logical thing would be to go to the specialists and they give you an answer.

For their part, the academics recognize the difficulties of producing information in the time frames required. In this respect, one of the main difficulties in the structure of the ministries is the absence of an updated database that allows new information to be incorporated and processed. In many cases the political decision makers do not give due respect to research. They are disinclined to read the technical reports and to provide information.

One of the lessons learned from these experiences, therefore, is that the institutional strengthening of the technical staff is central to fostering the incorporation of knowledge into decision making. The staff would have to be permanent and work jointly with the official negotiators, which would improve capacity to give a quick response to the foreign-trade agenda.

## **2.8. Political and Technical Rationales in Public Administration: How to Overcome the Dilemma?**

It is apparent that the great dilemma is a matter of reconciling the demands raised by the tangible and abrupt changes wrought by politics, on the one hand, with specialist knowledge on the other.<sup>26</sup> In Mertonian thinking, the production of information and its use in public policy making has been analyzed as two separate processes in which the outlooks, actors, and institutional arenas are different, and the classical rationalist model of analysis prevails (Weiss, 1986). There are two important actors in this process, the decision maker and the researcher. It is crucial that the latter gives the former the necessary information in the right format at the right time, so that the decision is technically robust. This is why most of the academic output on the issue seeks means of making this communication more fluid and of overcoming communications problems, thereby upgrading the levels of communication and using a more apt language to strengthen the channels of interaction. Thus, if the political decision maker does not use technical knowledge in decisions, the causes of the problem lie in the relations between the actors. The decision makers disregard the recommendations that emerge from research, and the researchers cannot devise a language that is geared to the decision maker.

The decision-making process, however, is not exactly as previously described. In general there are no categorical policy prescriptions based on objective research findings. Normally, there are various policy options that research can support and specify. These are chosen in a complex process involving all the actors, who have different interests and are acting and negotiating in a political manner. Hence, we have the criticism of the mythology underlying the linear model of Bush (1990), the ethical and political autonomy of scientific practice, the assumption of the necessary benefit

of technical-scientific research and development, and the hope placed in science as an authority for political problem solving (Sarewitz, 1996).

If policies are to be geared to the public interest, therefore, what is needed is not to replace politics by a technical rationale. What is needed is acknowledgment of the essentially political nature of the decision-making process and support for the actions of the various actors, including those normally excluded from the process, with pertinent information and knowledge. The aim is that such information will provide them with a better grounding on which to defend their interests and the decisions to be made about the challenges of the political agenda (Pellegrini Filho, 2003).

It is crucial to go beyond the linear model and recognize that the production of knowledge is a complex and interactive process involving many public and private actors, as well as researchers and politicians. This process calls for a new form of networked public administration that allows for the systemic integration of activities, such that maximum advantage can be taken of the information, knowledge, and experience of all the actors involved in making and implementing public policy. Universities, private research centers, and NGOs are potential sources of important information for trade policy planning. This leads us to ask: Who produces information about and/or knowledge of trade policy? To what end? And who uses the information?

### **3. PUBLIC AND PRIVATE RESEARCH CENTERS IN KNOWLEDGE PRODUCTION**

Uruguayan society has many organizations and institutions that produce information on trade policy. A mapping of those that produce knowledge on trade policy reveals four main kinds of institutions: private research centers, universities (public and private), international organizations, and business chambers. Each of these is engaged in different kinds of activities, in line with their own characteristics and interests, and thus the information they produce is for different readerships (see Table 5.4).

The main private universities, such as ORT, Montevideo University, and the Catholic University of Uruguay, mostly devote themselves to training people in foreign-trade matters. In general, these universities share a training profile for work in international business, mostly for the private sector but also for public service. The courses essentially focus on training in how to undertake foreign-trade operations, international contracting, and other aspects of international business; there is also training in diplomatic management and other issues of public service. Only a few reports or studies are produced, and there are no departments or institutes devoted to research.

Research is concentrated in public universities and private centers. The Economics Department of the Faculty of Social Sciences at the University of the Republic (DE/FCS) has a team of researchers who periodically publish both nationally and in international journals on basic economic disciplines related to international trade and trade policy theory. They are also

Table 5.4 Mapping of Research/Information Capacities

	Research	Advice	Training	Consultancy	Seminars	Public Policy	Promotion	Issues	Publications
<b>Universities</b>									
Decon-FCS	x	x	x	x				Int. trade theory Trade policy	
IECON-FCEA	x	x		x				Int. trade theory Trade policy	x
Law (int. rels.)	x	x		x				International relations—law	
Montevideo University			x	x				Trade policy and trade negotiations	
ORT	x	x		x				Trade policy and trade negotiations	
<b>Private Centers</b>									
CINVE	x	x	x	x	x	x	x	Integration, foreign trade, economic and social impacts of trade	x
FBB			x					Foreign trade	
CIEDUR	x	x	x	x	x	x	x	Trade and development—gender	x
REDES	x			x				Foreign trade and the environment	
FESUR	x	x	x	x	x	x	x	Regional integration and unionism	x
CLAEH			x	x	x	x		Regional integration	x
Red MERCOSUR	x	x		x	x	x	x	Trade policy in Mercosur	x
<b>International Organizations</b>									
LAIA	x	x		x	x	x		Latin American trade and integration	x
IICA	x	x	x	x	x	x	x	Agricultural trade policy	x

Source: Prepared by the author on the basis of Uña, Cogliandro, and Labaqui (2004).

involved in systematic graduate teaching in these disciplines (international trade theory, trade policy, political economy of trade policy, economic integration, computable general equilibrium models).

Of the private institutes that engage in research, mention should be made of the Center for Economic Research (CINVE), which also has a solid research team in the field and whose work is well-known. The two are part of the Mercosur Research Network, which specializes in economic research on trade policy. It comprises twelve institutions that study these issues from all the Mercosur countries, and includes all those that have done the most research in the field. Also worth mentioning is the role of the Law Faculty in international- and community-trade issues, an area in which it has long been active.

Other private research centers with a long history and much prestige in Uruguay are also prominent in trade policy studies, such as the Friedrich

Ebert Foundation (FESUR),<sup>27</sup> the Latin American Center on Human Economy (CLAEH),<sup>28</sup> the Interdisciplinary Center of Development Studies (CIEDUR),<sup>29</sup> and others. Many of these organizations undertake consultancy work for public and international organizations in various fields, and are involved in the design and implementation of public policies. Several of them not only produce technical studies but also train human resources, and thus become referents for foreign-trade expertise. CLAEH currently offers a master's degree in integration and Mercosur, geared to producing human resources in these issues.

Organizations such as FESUR, REDES, and CIEDUR also provide technical support and human resources to trade unions and other political or pressure groups from civil society. FESUR specializes in union issues, offering technical support to trade unions in Uruguay and the region. For its part, CIEDUR engages in research on trade and development with special emphasis on gender issues. REDES concentrates on environmental matters, very often as they relate to the productive sectors. In general, they are highly active and try to put issues into public discussion by organizing seminars and conferences, through publications, or through some other form of public exposition.

Among the international organizations, in 2004 the IICA set up the Trade Policy and Negotiations Unit (TPNU) to provide advice to countries in improving their capacities to analyze and implement sectoral policies and agricultural trade negotiations. The institute has produced analytical documents and created information networks on the negotiations and the agreements; regional mechanisms for consultation and coordination have been devised; several public officials and private-sector specialists have been given information and been trained. Moreover, offices specializing in trade policy and agricultural negotiations have been set up and strengthened in a significant number of the region's agriculture ministries. Additionally, LAIA undertakes research and statistical surveys of trade in its member countries, and organizes seminars and other gatherings for public leaders to discuss technical matters of foreign trade.

Despite the multiplicity of centers producing information on trade policy, there is no institutionalized arena for linkage between the private institutions that produce information and the centers of public decision making.

### **3.1. Business Chambers and the Production of Knowledge**

It is important to examine the kind of information on foreign trade produced by business associations, since they are preferentially consulted on the matter. In general, the business associations lack technical staff that produce knowledge or engage in detailed monitoring of trade policy. They do produce information on the productive sector to which they belong, but in some cases the production of information is confined to the statistical collection or systematization of data or the prices of export products (see Table 5.5).

*Table 5.5* Mapping of the Information/Research Capacities of Business Associations

	<i>Research</i>	<i>Advice</i>	<i>Training</i>	<i>Consultancy</i>	<i>Seminars</i>	<i>Public Policy</i>	<i>Promotion</i>	<i>Issues</i>	<i>Publications</i>
CNCS	x	x	x		x		x	Statistics—reports	x
CIU	x	x	x		x		x	Statistics—sectoral reports	x
ARU	x	x		x			x	Statistics—agricultural reports	x
UEU		x						Statistics—reports	
CMPP	x	x						Statistics—reports	x
CUTI	x	x	x	x	x	x	x	Statistics—trade information	x

*Source:* Prepared by the author.

In this respect, the Mercantile Chamber of National Products (CMPP) historically has offered technical and market information on various agricultural products, which has boosted the decision-making capacities of exporters. Prominent among the main sectors on which information is provided are: hides, wool, cereals, oilseed products, and so on. For its part, the Uruguayan Chamber of Industry has an Economic Studies Department that produces reports on the country's foreign trade and its various industrial and agro-industrial sectors. It also has an information service for businesspeople. This aims to provide updated information to all firms that need it in the areas of foreign-trade statistics, tariffs, foreign-trade regulations, and other issues.

The Uruguayan Chamber of Information Technologies (CUTI) has become an organization providing significant support to its members, and it undertakes annual surveys to determine the sector's structure and needs. It also organizes international business events and helps firms to attend international fairs. It takes significant measures related to international affairs or that affect international competitiveness. Most particularly, firms that have internationalized often face regulatory or other difficulties in foreign markets, and CUTI intervenes to remove obstacles. To that end it produces reports on market access problems. Recently, for example, the main difficulties have been with Mexico and Chile.

As regards the Uruguayan Rural Association (ARU), an important change has been the development of a new IDB-MIF program to support opening and integration into international trade. The program's goal is to prepare the agricultural sector for different negotiating fora, such as the FTAA, Mercosur, the EU, and other third-country agreements that could promote Mercosur. This program is to be executed in conjunction with other Mercosur business groups and national business associations.

The studies produced by the business associations are basically geared to providing advice to their member firms or sector-specific chambers; they do not serve to support public officials or organizations. Although the business associations are central actors in the country's economic and trade policy, they have not developed a solid basis of specialized knowledge that allows them to forge closer links with trade negotiators on the basis of discussion and technical support to trade policy decision making. There have been some changes in the CIU and the ARU, however, and the afore-mentioned project augurs well for future developments.

In short, there are many public and private centers of information on foreign trade, but there are no channels within which knowledge can circulate. Many of the information services provided by various institutions are very similar in technical terms, and in many cases they are geared to the same business sector and segment. Additionally, the supply of information is part of the institutions' strategy of differentiation in an effort to find partners or secure financing, especially in the form of international cooperation. Hence, there is some duplication of programs and services, there being no coordination among the different institutions or efforts to make their work complementary. In the public sector, moreover, there is no proper coordination in the upper or strategic levels to guide work among the institutions, since there is scant tradition of public-private coordination and participation.

The multiplicity of institutions and the range of information on offer cause some confusion among recipients, which are unsure as to which institution and which program or service they should use to meet their support needs. Most of the business associations disseminate their support services to firms through the media. They do this sporadically, and there is no systematic policy on dissemination.

It is apparent that the entrepreneurs themselves have only partial and superficial knowledge of the services that the various public and private organizations provide. In all the sectors examined, the bigger the firms, the greater the knowledge of organizations offering services and their specific programs. Consistent with the foregoing, smaller firms have little or no information on the services that are available. They are only tangentially aware of some institutions and have practically no information on specific programs or their scope.

This inability to link social and governmental institutions weakens the capacity to establish criteria that relate the public organizations' information and training needs to the services provided by private institutions. In this respect, the state lacks a clear political vision and its leaders lack a vision of the possibility of forging institutional links of knowledge between the state and civil society. Whether it be for ideological, cultural, political, or other reasons, in practice knowledge does not flow properly between those who produce it and those who use it. This situation undermines the development of a foreign-trade policy based on knowledge, and prevents the information from becoming an input to decision making.

## 4. CHALLENGES TO STRENGTHENING THE ROLE OF KNOWLEDGE IN TRADE POLICY

### 4.1. Building Capacity to Use Knowledge

Increasingly, the complexity of trade policy poses the need to use knowledge in decision making and to move away from decisions based on personal opinion or taken in reaction to immediate national and international pressures. To that end, it is crucial that the state make efforts to create institutions devoted to the production of knowledge. This could come in various formats, including information systems or centers for policy studies in the government or the universities. The aim would be to foster improvements in policy making, facilitate research, or train public officials.

In the case of foreign-trade policy, strengthening the quality of decision making requires instruments that give order and coherence to the activities that systematize, define, and serve a country's great political, economic, and social questions. In this regard the foreign service must take a comprehensive approach to the various issues in its field of action. Such issues are related directly to international economics and politics, the environment, investment, government procurement, and so on. These are matters of great importance in the international order, and they must become part of a state policy that brings about the country's stable international insertion, including new strategies in the areas of trade negotiations and cooperation.

That calls, first, for a strengthening of the strategic referent that allows public organizations to be adapted and updated. That in turn calls for urgent efforts to systematize, prioritize, and develop a strategic vision, so as to ensure that trade policy is consistent with the public good. To those ends, the most senior levels need staff who are thinking about the issues and producing inputs to support that vision, such as a forward-thinking unit that produces the necessary information and knowledge to devise trade policy for the twenty-first century.

Second, the transformation should be accompanied by the modernization of the public administration. This involves setting up an appropriate information system so as to forge links between the making, implementation, monitoring, and control of policies. The absence of such a mechanism hampers the development of assessment and analysis processes that are consistent with the country's positions in each of the fora in which Uruguay takes part and on each of the issues that it negotiates, as well as in all the stages of trade policy. Many analysts argue that it is crucial to create institutionalized means of coordinating knowledge management in order to identify national interests and goals, rationalize decision making, ensure that public policies are parts of a whole, and legitimate those policies.

Many countries have set up an integrated system of economic-trade relations, and this has proven to be an important means of efficiently managing information from many and diverse sources. There have been significant

consequences: (1) facilitating understanding of economic relations; (2) strengthening strategic planning for foreign policy; (3) basing decision making on an overall vision; (4) fostering efficient interministerial coordination; and (5) making the use of information within the government more transparent and democratic.

An integrated information system thus makes it possible to set up a multidimensional and multisectoral database. It also helps build the capacity to convey information within the state, as well as to private organizations and the national public.

Hence, it is a substantial challenge to create a hinge connecting technical and political positions, one that simultaneously diminishes informational inequities by distributing knowledge to groups that have less access. Moreover, greater social participation in trade policy making calls for a break with the traditional methods of devising agendas and policies in small decision-making circles. It demands an expansion of the arenas in which different actors can express themselves and reach consensus on the path to follow. This would not only help improve the making and implementation of foreign trade and research policies; it would also be conducive to consensus building and the legitimation of the policies to be adopted.

Third, there is a need to strengthen the basic training of public officials in foreign-trade matters. As Matus (1993) says, analyzing problems of quasi-structures, taking measures in complex environments marked by a high degree of uncertainty and turbulence, drawing up strategic plans, designing efficient and effective organizations, monitoring public administration, and assessing nongovernmental actors related to government activities are endeavors that call for a meta-theory that goes beyond the limitations of officials trained in vertical disciplines. If the relations between the variables at play are unknown, and there is ignorance of the techniques, methods, skills, and aptitudes needed to discharge public functions effectively and efficiently, it will be very difficult to respond appropriately and coherently to the ever-changing and highly complex circumstances that arise each day.<sup>30</sup>

Thus the twenty-first century state needs trained officials with a modern outlook on state affairs, and with the capacity to learn fast and respond swiftly to new issues. In this respect, another of the great challenges of current bureaucracies is to create new incentives in public service.

## 5. CONCLUSIONS

The growing complexity of the problems to be solved in the area of trade policy makes it necessary to strengthen the management of knowledge in the public administration. In this new context, the structure of the state cannot remain unchanged. In both political theory and practice, therefore, steps must be taken to address the problem. The state must be efficient and effective, but it must also be linked to social interests, values,

and needs. The state must have the capacity to design and implement foreign-trade policies, but it must be able to tackle collective problems, making the policies sustainable and upholding a long-term vision that is central to state actions.

Reform of the state, therefore, should not be seen as an end in itself but as a means of strengthening the capacity to govern—that is, to resolve problems in society, raise the level of economic development and well-being, and create channels for the democratic participation of the population. These changes should not be regarded as merely technical problems, but also as political. State reform is not simply a matter of improving the organizational performance of the public apparatus; it is also a question of improving the capacity to govern, the capacity to devise trade policies that are related to the country's needs.

First, the uncertainty of the international context calls for the introduction of forward-looking perspectives in public administration—that is, an effort to anticipate and reduce risks, marked by a strategic vision in which trade policy is viewed in a systemic way and is linked to the country's development strategy. Second, the complexity of the environment calls for systemic approaches to problem solving, and thus for public policies that are linked and coordinated. Thinking about trade policy from a sectoral perspective will create problems of management, and thus it is essential to coordinate areas and sectors with a clear appreciation of the context and of the time constraints imposed by the challenges. In other words, trade policy should be viewed as a development strategy, one that is linked to policies on competitiveness, investment, science and technology, education, and others.

Moreover, it is important to recognize that the core of the problems of public administration lies in the interinstitutional realm. Hence, there is a need for solutions that differ from those applicable to a single unit. Today, public administration consists of knowing how to do something through other organizations, an effort that normally entails understanding the complex and delicate task of accepting responsibility to build an interinstitutional network. This process involves defining a strategy, and it is highly political, since it means setting priorities for the various policies and government programs in an effort to give some coherence to government targets.

In this context, the prospect of improving an organization's management capacity depends largely on taking advantage of the innovative creativity and training of staff. Knowledge management entails re-creating an environment in which the knowledge and information available in the state are accessible, and can be used to stimulate innovation and facilitate improved decision making. In four areas of public administration, the use of knowledge should: (1) strengthen decision making in the civil service; (2) foster social participation in public decision making; (3) build competitive societies by strengthening intellectual capital; and (4) develop competitive knowledge among public officials.

Uruguay has certain peculiarities that can be traced to circumstances in its neighboring countries. It is not only the negotiating fronts that have become more complicated; so too have the issues. Market access is only one item, while other issues are increasingly prominent on the negotiating agenda. These circumstances explain why it is important for Uruguay to take a position on these matters. In any case, even though Uruguay has tried to adapt its government structure to the new requirements of modern trade policies, it still exhibits a grave institutional weakness in pursuing a long-term and articulated policy in the field.

It is clear that the country lacks an institutionalized information system that would allow links to be forged between the making, implementation, and control of trade policies. This absence makes it difficult to develop assessment and analysis processes that are consistent with trade policy.

It has not been possible in recent decades to establish stable and fruitful links between the social sciences and politics in Uruguay, since there is a shortage of channels for interaction between academics and senior public officials. This has adverse effects on trade policy making and implementation. It constrains the use of technical inputs that offer new ideas and help improve the country's positioning relative to the new challenges imposed by a complex, multi-issue, and highly technical agenda.

In short, although there are many public and private centers of information on foreign trade, there are no channels within which that knowledge can circulate. Many of the information services provided by various institutions are technically very similar, and in many cases they are geared to the same business sector and segment. Moreover, there is relatively little coordination among the different public and private institutions, and few efforts to make their work complementary. And in the public sector, there is no proper coordination in the upper or strategic levels to guide work among the institutions, since there is scant tradition of public-private coordination and participation.

## NOTES

1. The author is grateful for comments by Tullo Vigevani (Julio de Mesquita Filho Paulista State University), Carlos Luján (Catholic University of Uruguay), and Marcel Vaillant (University of the Republic of Uruguay and Mercosur technical consultant).
2. See Tobelem, 1992; Oszlak and Orellana, 1991; Mizrahi, 2003; Lopes and Theisohn, 2003; Narbono et al., 2003; and Repetto, 2003.
3. The research methodology is consistent with the multidimensional nature of the phenomenon under study. It thus takes various approaches and uses several methodological instruments, such as gathering bibliographical data and content analysis, interviews and questionnaires, and an assessment of institutional capacities. See the interview list at the end of the book.
4. See [www.wto.org-ver](http://www.wto.org-ver).
5. Knowledge is basically a cognitive capacity related to the ability to interpret and transform information (Cimoli and Correa, 2003). Information, by con-

trast, is a set of data, structured and formatted but inert and inactive until it is interpreted by those with the necessary capacity to interpret and manipulate it (Lugones et al., 2003).

6. In Chile, the Foreign Trade Directorate, in conjunction with long-standing political and institutional features, strong presidential leadership, and a high capacity for coordination at the government level and with the private sector, were crucial factors in the successful management of foreign-trade policy. See Saénz (2005). In other countries, such as Mexico and Brazil, though trade policy making is concentrated in certain state agencies with technical capacity, those agencies have not been independent of business interests. See Motta Veiga (2005) and Lima (2005).
7. By November 2005 Uruguay had signed thirty-seven partial-scope agreements and ten regional accords on tariff preferences. The 2003 agreement with Mexico is the broadest. See the complete list of trade agreements at [www.aladi.org](http://www.aladi.org).
8. Consideration is being given to Mercosur agreements with Canada, South Korea, Pakistan, the European Free Trade Association (EFTA), the Dominican Republic, the Gulf Cooperation Council, Morocco, the Caribbean Community (Caricom), Panama, San Tome and Principe, the Central American Integration System (SICA), and Japan.
9. Interviews with all the directors of the executing units responsible for trade policy during the Batlle administration (2000–2005). See the list at the end of the book.
10. See decree 35/96 establishing the new organizational structure and defining the missions that harmonize the changes made in recent years. The decree established the goals and missions of the Foreign Ministry and all essential matters related to its organizational structure and regulations.
11. Uruguay XXI is responsible for consolidating the country's image abroad so as to attract investment and promote Uruguayan products, as well as for implementing competitiveness programs. It comprises representatives of the government and the private sector.
12. Article 118 of Law 17930 stipulates that the missions of the Economy Ministry's General Directorate for Foreign Trade shall be the competence of the Trade Policy Office reporting to the General Directorate of the Secretariat.
13. Decree 035/996 establishes responsibilities with respect to the Foreign Ministry and the units that report to it.
14. The General Directorate for International Economic Affairs and the General Directorate for Integration and Mercosur Issues. The former is responsible for planning and implementing international relations at the bilateral and multilateral levels, with the exception of the responsibilities of the latter. The latter is responsible for the negotiations in which Mercosur engages as a bloc. This directorate is also entrusted with monitoring all integration processes with respect to the rest of the world, including the hemisphere-wide process and the LAIA process. Both directorates are currently headed by the same person, Ambassador Carlos Amorío. From the juridical standpoint, the two units have not merged but there are plans to unify them.
15. Other bodies for interministerial coordination were set up but failed to operate. For instance, decree 253/003 of 19 June 2003 set up a special commission to boost the country's foreign trade, coordinate foreign-trade activities and negotiations, and monitor the negotiations. By 2006 it was not operational.
16. All the public and private actors from the previous government who were interviewed agreed on this. See the list of interviewees at the end of the book.

17. This opinion is shared by all the directors of the executing units responsible for trade policy during the Batlle administration, as well as by the current directors. See the list at the end of the book.
18. Since all senators and deputies are chosen at the same time, the left was assured of a parliamentary majority: sixteen of thirty-one senators and fifty-two of ninety-nine deputies.
19. In annual reports and in the interviews, the senior leaders in the public administration say they have monitored information from all spheres, and very often the same issues are dealt with in different offices of a single ministry.
20. The chambers of business have had great difficulty in creating a leadership association like those in Chile and Mexico. Only in 1985 was the Business Inter-Chamber Committee formed. The entrepreneurs reactivated this in 1994, creating the current Higher Business Council (CONSUPEM). At present, this has a mechanism for the informal exchange of positions among business leaders; it has not become an institutionalized body for intersectoral coordination.
21. For more information, see [www.mercosur-comisec.gub.uy](http://www.mercosur-comisec.gub.uy).
22. A career in the diplomatic service (grade M in the public administration) has a seven-level hierarchy: third secretary, second secretary, first secretary, counselor, minister counselor, minister, and ambassador. Decree Law 14206-7 of June 1974. Entrance is by competitive examination and merit, and promotions are awarded through regular competitive examinations, as well as on the basis of merit and seniority. Promotion by competition goes as far as the post of minister counselor; holders of the upper two posts are designated by the foreign minister and/or the president. According to article 16 of the law, the posts of ambassador and minister are regarded as being positions of personal trust on the part of the president, with the exception of those career diplomats who are promoted.
23. Throughout the Uruguayan state there is a weakness in the design of posts not based on management criteria (that is, posts that are “enriched” in terms of competencies) or on technical studies and manuals with competencies that are technically well defined. Job administration swings between politicization and efforts to respect the merit system, circumstances that cause implementation problems. Moreover, individual performance assessments are not applied, and when they are carried out they are purely those of the state. There is no comprehensive performance assessment (individual, group, and organizational).
24. Interview with the economist Darío Sarachaga, former director of the Trade Policy Office, Economy and Finance Ministry, 15 May 2006, Montevideo. As regards the number of officials, see [www.cepre.org.uy](http://www.cepre.org.uy).
25. Economist María Inés Terra, academic specialist in trade policy, Director of the Economics Department, Social Science Faculty, 15 April 2006.
26. According to Robert Merton (1987: 293): “The politician indicates the targets—the ends, the goals—and the technical specialists, on the basis of specialized knowledge, indicate different means of reaching those ends.” Nonetheless, in theory it is easy to distinguish between the decision, which belongs to the political domain, and the application, which is in the domain of administrators; but in practice there is no clear boundary between the two domains (Peters, 1999).
27. FESUR is a private, nonprofit political-cultural institution founded in Germany and committed to the basic principles and values of social democracy. See [www.fes.org.uy](http://www.fes.org.uy).
28. See [www.claeh.org.uy](http://www.claeh.org.uy).
29. See [www.ciedur.org.uy](http://www.ciedur.org.uy).

30. Perhaps the problem is that public capacities cannot be located precisely in individuals or groups or institutions; rather, *at the same time* they lie in the resources, cognitive maps, images, and discourses shared by the actors, and in the institutional and socio-technical context in which they gain sense and can be deployed. In this process the possibility and quality of access (“institutional transparency”) to such sources of information are ever more important (Grossman et al., 2002).

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# 6 The Influence of Academia on Mercosur's Tariff Policy

*Mercedes Botto and Cintia Quiliconi*<sup>1</sup>

## 1. THE EXTERNAL TARIFF AND ITS IMPLICATIONS FOR MERCOSUR

The initiative to set up a customs union between Argentina and Brazil emerged in 1989 when the recently elected presidents Carlos Menem and Fernando Collor de Mello pledged to continue the trade integration process begun under previous governments.<sup>2</sup> Though Mercosur's creation marked certain continuity with the Economic Integration and Cooperation Program (PICE) of the 1980s,<sup>3</sup> there is an important difference between the two in terms of their underlying philosophies and the instruments through which trade liberalization was conceived (Lavagna, 2001a). The PICE sought industrial and commercial complementarity, inducing specialization in niches and product lines by means of what was called protocols. Mercosur, by contrast, sought to create an enlarged market that would make it possible to attract trade and investment flows in an international context where the multilateral Uruguay Round faced serious difficulties in moving forward.

The differences are also apparent in the instruments. In the PICE, gradualness (in the changes), flexibility (in time frames), and reductions in the tariff schedule were assured by a positive-list approach.<sup>4</sup> In contrast, the Trade Liberalization Program of Mercosur proposed an automatic, across-the-board and progressive reduction of tariffs on the whole intra-Mercosur trade. This mechanism was activated by the signing of the Asunción Treaty, which set a floor of 40 percent of trade preferences. Thereafter, the countries put in place a calendar of automatic tariff cuts designed to enable them to reach the end of 1994 with a zero intra-Mercosur tariff. It is important to note that while the Asunción Treaty specified how to attain trade liberalization, it did not mention the type of external tariff needed, nor which sectoral policies should be harmonized in the region in order to establish a common market.

Although they had different priorities and little notion of how to do it, all the signatory countries were seduced by the idea of a common market. The customs union seemed to be an almost magical strategic option for the region as a means of bringing order to domestic conditions. A common

external tariff (CET) would ensure uniform access to neighboring countries' markets and at the same time would have a lock-in effect on the ongoing trade opening by providing a safeguard against domestic lobby pressures. Moreover, common sectoral policies would help discipline the partner economies, especially the bigger ones. Finally, from the geopolitical standpoint, a common external trade policy would help strengthen Mercosur's position in international negotiations, as well as in the competition to attract foreign direct investment in a global context where firms were increasingly transnationalized.

The governments, however, took the initiative forward ingenuously and with a profound ignorance about the problems related to the process. To a large extent, whether the aforementioned benefits are obtained and distributed equitably among the member states depends on the commitments made in the regional negotiations. What could be said at the time was that defining a common tariff scale and harmonizing national customs regulations were not simple tasks. The first difficulty, which had been apparent in the PICE, stemmed from the sharp structural difference between the member states, which conferred advantages on Brazil because it was the main producer of industrial manufactures and had the largest market. The second problem sprang from the technical and operational requirements demanded by the coordination of external trade policies in a context marked by a lack of basic information and regional statistics. That circumstance was exacerbated by the fact that most of the members were undergoing profound changes in their tariff structures as a result of unilateral opening and pressure from international financial organizations. Finally, the governments themselves added a third complication: the short time frames that the Asunción Treaty set for reaching the goals. After just five years of trade liberalization, a customs union was to be established and macroeconomic policies were to be harmonized.

The decision to create Mercosur triggered a significant number of studies and publications (see Table 6.1). A review of their origins reveals that, among Mercosur members, Argentina was the source of most of them in the period 1991–1995 (see Tables 6.2 and 6.3). A possible explanation for this, which we explore in this chapter, is that among large segments of Argentina's political and academic communities prevailed a perception that integration with Brazil posed a threat. For a medium-size economy like Argentina, association with a substantially bigger economy could lead to a loss of trade and political visibility. The same is not true for the smaller partners, Uruguay and Paraguay, because their potential economic losses became political gains in the geopolitical context of globalization.

Following the present book's terms of reference, the aim of this chapter is to analyze the influence of empirical research on the final design of Mercosur's CET. The chapter's definition of "academia" is broad, including research studies by academic centers and consultancy studies commissioned

*Table 6.1 Annual Academic Output on Mercosur*

<i>Year</i>	<i>Amount</i>	<i>Percentage</i>
1991	39	2.6
1992	78	5.1
1993	75	4.9
1994	99	6.5
1995	106	7.0
1996	145	9.5
1997	183	12.0
1998	155	10.2
1999	141	9.3
2000	111	7.3
2001	94	6.2
2002	92	6.0
2003	60	3.9
2004	63	4.1
2005	55	3.6
2006	26	1.7
Total	1,522	100.0

*Source:* Prepared by the authors on the basis of CEPAL.

*Table 6.2 Academic Output by Source (1991–1994)*

	<i>Amount</i>	<i>Percentage</i>
Intra-Mercosur	250	66.5
Extra-Mercosur	126	33.5
	376	100.0

*Source:* Prepared by the authors on the basis of ECLAC, 1994

*Table 6.3 Intra-Mercosur Academic Output (1991–1994)*

<i>Country</i>	<i>Amount</i>	<i>Percentage</i>
Argentina	151	60.4
Brazil	62	24.8
Uruguay	27	10.8
Paraguay	10	4.0
	250	100.0

*Source:* Prepared by the authors on the basis of ECLAC, 1994.

by the public sector. The chapter seeks to analyze the variables connected to the process of negotiating the CET from the perspective of both Argentina and Brazil. It does not address the implementation of the CET in later stages. Our methodology is based on a thorough investigation of the process in each case (George and Bennett, 2005), one that examined the production of research and consultancy studies on the CET and the influence that those studies had on decision making in Mercosur negotiations.

The following section describes the national contexts in which the unilateral opening and the CET negotiations between Argentina and Brazil unfolded. The chapter then maps the academic output on the issue, its contribution to the debate, and how it influenced each country's proposal on the tariff structure that the customs union should adopt.

## 2. ARGENTINA AND LOCAL RESEARCH

### 2.1. The Political and Economic Context of the Debate on the CET

The Argentine case illustrates the radical trade opening experienced by some Latin American democracies in the 1990s. In just three years the country's tariff structure was changed eleven times, and its average tariff fell from 53 percent to 22 percent (Viguera, 1998). That was the result of several strategies that combined unilateral opening with regional and multilateral trade negotiations.

#### 2.1.a. *Background: The PICE*

In the mid-1980s, Argentina embarked on an irreversible process of trade liberalization. That decision was taken against the backdrop of the Alfonsín government's negotiations with the World Bank after the failure of the heterodox adjustment plans (the Austral Plan and the Spring Plan).<sup>5</sup> It was during those loan negotiations allowing the government to refinance the debt that the idea of trade opening emerged for the first time. It was seen as a mechanism to rationalize the prevailing chaotic and discretionary tariff structure, and to make it more transparent (Bortzman and Tussie, 1991).

That decision was supported by the country's political and economic elites for two basic reasons. First, there was quite a broad consensus that the tariff structure was completely distorted and was arbitrarily managed. Second, the idea of deregulating the economy as a solution to the problem had already been introduced into the academic and public debate by a group of private-sector think tanks—the Mediterranean Foundation, CEMA, FIEL—connected to export-oriented agricultural and industrial sectors (Basualdo, 2001).

The idea did not take root in public opinion, however, and the Alfonsín government decided to act with caution, proposing an alternative solution

to the World Bank's proposal that Argentina should emulate the Chilean model. Instead of opting for unilateral opening, the government pursued a dual strategy. One approach was the gradual reduction of maximum tariffs and the elimination of prior import permits and import bans, a course of action that was set in motion through decree 4070/84. The other approach was to negotiate trade and productive integration with Brazil through the PICE. Of the six production-related protocols signed as part of the PICE, the only one that was conducive to liberalization was the one on capital goods, a sector in which both countries had a deficit with the rest of the world, and regional trade would entail a net saving in foreign currency (Botto and Bianculli, 2006). Progress on unilateral opening was practically negligible, while bilateral trade increased by 40 percent.

### *2.1.b. Structural Reforms*

The absence of fiscal adjustment and the monetary policy pursued by the Radical government led to significant chaos in the main macroeconomic variables, giving rise to a climate of social and political discontent that caused an early transfer of power to Carlos Menem of the Peronist Party. The new government's priority was to stabilize the economy by controlling inflation. The relatively strict application of the Washington Consensus came at just the right time for this strategy. On the one hand, financial resources were assured. On the other, the country became very closely aligned with the United States in a reorientation of Argentine foreign policy.

The two pillars of the structural reform on which most progress was made were privatization and reform of the state, because it was hoped that action in these areas would curb inflation. In trade policy the Menem government continued the previous administration's strategy of unilateral tariff reduction. In four years (1989–1992), the average tariff was reduced by half.<sup>6</sup> In 1991 the creation of Mercosur and the Convertibility Law brought about significant changes in the strategy of opening and in the tariff structure.<sup>7</sup> The idea was to deepen the trade opening while simultaneously curbing inflation by means of a high exchange rate, which would allow the government to align international relative prices without causing external competitiveness problems. Hence the Latin American experience was to invert the order of mainstream prescriptions, which recommended stabilizing domestic prices and setting a high exchange rate before opening the economy, with a view to protecting the balance of payments and employment (Melo, Panagariya, and Rodrik, 1993).

The initiative to create a free-trade area (FTA) in Mercosur coincided with the pro-neoliberal philosophy of the incumbent governments in the four member states. What was not in any way consistent with the Menem government's free trade thinking and its pursuit of closer relations with the United States was the commitment to create a customs union. It was precisely the issue of the CET and the advisability of deepening the partnership

with Brazil that aroused contending domestic positions within the private sector and within the government itself.

In the private sphere, many Argentine industrialists were fearful of disappearing in the face of competition from Brazil, whose history of industrial development and large consumer markets could bring about the closure of small firms—and even of businesses that were large and powerful in the domestic market but could not compete with firms from neighboring countries. In the public sphere, resistance was spurred by the loss of capacity and autonomy in negotiating bilateral agreements with third countries, as well as in managing macroeconomic variables, especially in a context like convertibility where management of monetary policy had been self-prohibited by law.

## 2.2. Academic Output on the CET

The decision to create Mercosur triggered a significant number of studies and substantial research in Argentina (see Table 6.3). The analysis here centers on those studies, published or not, that explicitly sought to influence government decisions at the national and regional levels, not simply to contribute to the academic debate or to teaching.

In the next subsection, the academic outputs (the empirical component of our research) are classified into three groups according to the type of decision they sought to influence (see the introductory chapter): (a) decisions on the model of regional integration; (b) decisions on the negotiating strategy to be adopted; and (c) technical studies that aimed to meet the immediate needs and questions arising from the implementation of that strategy. In each of these groups, we try to identify who produced and/or financed the studies, as well as the approaches they took and the contributions they made to the debate.

### 2.2.a. *Studies on Models*

The determination to create a common market in the Southern Cone was more the result of a decision taken in urgency than the fruit of a debate about ideas or research on possible scenarios. In contrast to what happened with the PICE, the new governments of Argentina and Brazil were not only trying to send positive signals to the international lending institutions about their decision to continue with the structural reforms and ensure trade opening at any cost. They were also trying to make their countries seem trustworthy in the eyes of the international financial community by guaranteeing continuity in foreign-trade policy.

Two main sources of knowledge converged in the design of the PICE and the choice of capital goods as a “star” sector. The first was the research and debate generated by the nonpartisan staff of the Foreign Affairs Ministry on the experience of the European Coal and Steel Community (ECSC) and its spillover effect (Caputo, 1989; Bruno, 1987). The second was the knowledge produced by the economists and consultants in the Buenos Aires office

of ECLAC, who were working on productive linkages and on small and medium-size industries (Chudnovsky, 1988; Lavagna, 2001a; Porta, 1989). Convinced that productive integration was the region's best industrial development option, the staff of Adolfo Canitrot, the Deputy Economy Minister, negotiated with the World Bank an alternative to the mainstream proposal of unilateral opening in the mold of Chile.

In Mercosur, by contrast, the decision to emulate the European experience, to build a common market, was not preceded by any research or analysis of the instruments and time frames needed to meet the goal. It was a hasty decision that did not consider the costs of committing to create a customs union.

There was no prior debate or research, but some officials did undergo a learning process. They came to appreciate the mistakes made in the PICE as regards deciding which instruments were needed to ensure that the goal of integration would be met, and would not be left to the mere will of the member states. In this respect, it is interesting that the Asunción Treaty clearly identified the steps (instruments) for the free-trade area between the four countries in the form of the Trade Liberalization Program,<sup>8</sup> but did not do the same for the customs union. At the time, therefore, consensus was confined to the commitment on intraregional trade liberalization, while for many officials the possibility of implementing it and advancing integration to a CET was more a declarative matter than a feasible goal.

We must eliminate a fundamentally methodological obstacle that is implicit in our negotiating system . . . product by product, sector by sector, seeking strongly conditioned equilibria. This method has allowed us to make progress in those areas in which sectoral interests are not affected, but it quickly faced a limit and exhibited clear signs of exhaustion, hampering the development of a true integration process . . . Thus the main advantages of an integration process, such as greater efficiency and competitiveness, not only remained out of reach but, more seriously, we did not create *the conditions or mechanisms needed to achieve the goal*. (Cavallo in a meeting of LAIA ministers, 30 April 1990, quoted by Campbell, 1999: 131; emphasis added)

In Mercosur's early years, a Foreign Affairs Ministry official who had played a leading role in the PICE tried to bring together a group of ECLAC academics to analyze and assess various possible integration scenarios. Those specialists, however, adamantly rejected the idea because they believed the strategy of opening (the Trade Liberalization Program) chosen by the new administration left no maneuvering room.

Only in 1992 did academic research and analyses of different Argentine negotiating strategies begin to appear. These are all in the field of applied economics, and they assess the advantages and disadvantages of a potential association with the United States by means of a free-trade area, as against a customs union in Mercosur. They emerged as a result of the George H. W. Bush's Enterprise Initiative for the Americas and they

mainly originated in local think tanks and academic institutions financed by U.S. foundations and agencies.

- Bouzas, R. (1991) "A US-Mercosur Free Trade Area: A Preliminary Assessment." FLACSO.
- Cristini, M., and Balzarotti, N. (1991) "Los acuerdos regionales en los 90: Un estudio comparado de la CE 92, el NAFTA y el Mercosur." Documento Trabajo FIEL 36.
- Bouzas, R., and Barboza, J. C. (1992): "Estados Unidos y el Acuerdo de Libre Comercio de América del Norte: implicaciones para la Argentina y el Mercosur." FLACSO.
- Bouzas, R., and Lustig, N. (1992) "Apertura económica, integración subregional y la Iniciativa para las Américas; versión preliminar." FLACSO.
- Chudnovsky, D. (1992) "The Future of Hemispheric Integration: Mercosur and the Enterprise for the Americas Initiative." Centro de Investigaciones para la Transformación (CENIT).
- FIEL (1992) "Argentina y el Mercosur. Una respuesta a la Iniciativa para las Américas y a Europa 92," Ed. Manantial, Buenos Aires (sponsored by the Konrad Adenauer Foundation, Buenos Aires).
- FIEL (1993) "El comercio administrado de los 90: Argentina y sus socios." Editorial Manantial, Buenos Aires (sponsored by the Tinker Foundation).
- Fundación Mediterránea-IEERAL (1992) "¿Qué es el Mercosur?" Fundación Mediterránea.
- Pirker, E. (1992) "Argentina, Estados Unidos y el Mercosur: una relación desleal." *Realidad Económica*.
- CIEDLA (1993) "Mercosur: desarrollo, perspectivas y su relación con NAFTA." Centro Interdisciplinario de Estudios sobre el Desarrollo Latinoamericano.
- Zimmerling, R. (1993) "El futuro de América Latina en el mercado mundial: integración regional versus integración en el mercado mundial." Friedrich Ebert Foundation.
- Juárez Jerez de Perona, H. (1993): "Sector manufacturero e integración económica: El Mercosur y el NAFTA." *Revista de Economía*, Banco de la Provincia de Córdoba.

While all these studies aim to introduce the debate into public opinion in general, those by FIEL are more geared to the business and policy-making communities.

### 2.2.b. *Studies on Strategies*

A review of the database reveals a large number of studies that address the implications of various aspects of integration. In principle, it is possible to

discern a clear division of issues and interests among those who produced or financed them. The international organizations, banks, and companies are mainly concerned with financial and macroeconomic matters. The foundations, most of them European, are interested in institutional matters and the social dimensions of integration. Finally, the national governments focus mainly on sectoral questions that are more closely connected to the daily routine of negotiation.

In general, the *impact studies* produced in this period are rudimentary. They use unsophisticated methodologies and, although they deal with very diverse issues, they confine themselves to mapping national diversities, and on that basis they deduce the local implications<sup>9</sup> of tariff reduction. They center on the qualms induced by the structural, political, and regulatory asymmetries between the member states, especially as regards Brazil. Most of these studies conclude that the "natural asymmetries" would persist, but even so they recommended moving toward greater coordination of the member states' economic policies.

Hirst, M. (1992) "La participación de Brasil en el proceso de Mercosur: evaluando costos y beneficios." FLACSO Argentina.

Bekerman, M. (1993) "Brasil: reflexiones en el marco del Mercosur. Brasil: competitividad externa y política industrial." Univ. Fac. de Cs. Econ. Inst. de Investigaciones Económicas. CENES.

López Restrepo, A., and Porta, F. (1993) "Acero, papel y petroquímicos en el Mercosur: reestructuración industrial e instrumentos de política." Centro de Investigaciones para la Transformación (CENIT).

Bekerman, M., Sirlin, P., and Streb, M. L. (1994). "Las nuevas orientaciones de política industrial y de promoción de exportaciones en Argentina y Brasil: asimetrías y posibilidades de coordinación." Universidad de Buenos Aires. Centro de Estudios de la Estructura Económica.

Among the studies prepared for and by the executive branch, there is an abundance of work by specialists in various areas who were commissioned by the Economy Ministry and the Foreign Affairs Ministry. All were financed through UNDP technical assistance programs, though with different approaches and perspectives. The Economy Ministry commissioned impact studies in specific productive sectors, such as meat, oilseed products, SMEs, natural gas tariffs, fruits and citrus, and so on.

Dicovsky, J. P., Hotton, C., López, A., and Porta, F. (1992) "Iniciativas inter e intraempresariales argentine-brasileñas en el marco del Mercosur." Secretaría de Programación Económica.

Visintini, A., and Vanetta, J. (1992) "Tarifas industriales de gas natural en Argentina: su influencia en la competitividad, en el proceso de apertura e integración." Secretaría de Programación Económica.

- Amigo, J., Lavaggi, F., and Moulia, J. (1992) "Frutas cítricas y derivados: estudio de competitividad agropecuaria y agroindustrial." Secretaría de Programación Económica.
- Canzanelli, L. (1993) "Carne vacuna y sus preparados: estudio de competitividad agropecuaria y agroindustrial." Secretaría de Programación Económica.
- Canzanelli, L. (1993) "Argentina. Secretaría de Carne aviar y ovina: estudio de competitividad agropecuaria y agroindustrial." Secretaría de Programación Económica.

The Foreign Affairs Ministry, by contrast, commissioned studies with a more conceptual approach that tackled issues such as macroeconomic integration, competitive insertion, the experience of the EU, labor issues, competitive banking, and the CET.

- Guadagni, A. (1992) "Mercosur: una herramienta de desarrollo." Centro de Economía Internacional. Centro de Economía. Internacional. Proyecto ARG/ 87/014.
- Heymann, D., and Navajas, F. (1992) "La coordinación de políticas macroeconómicas: aspectos conceptuales vinculados con el Mercosur." Centro de Economía. Internacional. Proyecto ARG/87/014.
- Peña, F. (1992) "Mercosur y la inserción competitiva de sus países miembros en la economía internacional: balance de un primer año de acción conjunta." Centro de Economía Internacional. Proyecto RG/87/014.
- Villanueva, J. (1992) "La experiencia de la Comunidad Europea: posibles lecciones para el Mercosur." Centro de Economía Internacional. Proyecto ARG/87/014.
- Garriga, M., Echegaray, R., and Sanguinetti, P. (1993) "Mercosur: notas acerca de la aplicación de bandas cambiarias; versión preliminar." Centro de Economía Internacional.

There are two reasons for this thematic specialization. First, the Economy Ministry has traditionally been responsible for relations and dialogue with the domestic private sector. To that end it has a specialized organizational structure (National Directorate on Tariff Policy) as well as de facto and close links with that sector. At the national level this leadership was replicated when Mercosur's institutional arrangements were devised: the ministry was given the chair of all the working subgroups (WSGs),<sup>10</sup> with the exception of that dealing with legal affairs.

Second, the Foreign Affairs Ministry was new to these matters and, as part of the Mercosur negotiating team, it needed to train its officials in what were, for them, new issues. For training purposes it chose to include research centers that had different ideological affinities, such as CEMA, FIEL, Di Tella, and FLACSO, which were selected according to their different kinds

of expertise. In the wake of those studies and others produced by young researchers from private universities, Deputy Minister Guadagni hoped to revitalize the Foreign Affairs Ministry's Center for International Economics (CEI), which was formed in embryo during the Radical government.<sup>11</sup>

We worked for the Foreign Affairs Ministry throughout the whole Mercosur stage and the creation of the CET, but we were not the only ones. Almost all the institutes worked there through a tendering process, or through commissions. Alieto Guadagni was in charge and he tried to invite bids or assign the issues in line with the comparative advantages of the think tanks . . . And in that period, if you look at the bibliography, you will find FIEL, the Mediterranean Foundation, FLACSO—a mountain of studies that enriched the basis of the discussion. (interview with an academic from a business studies center)

### *2.2.c. Studies on Technical Matters*

Between 1991 and 1994, more than fifty studies were produced to provide inputs for the Argentine negotiators in Mercosur on each of the urgent matters and requests that emanated from WSG 10. The vast bulk of those studies were not published but were issued as reports, and thus it is unnecessary to identify them by research team or study group.

One research group was called the Common External Tariff Support and Monitoring Group (GAEC).<sup>12</sup> It was formed in the Economy Ministry among the technical specialists leading the Argentine delegation to WSG 10, together with a group of researchers from the University of Buenos Aires (UBA). The latter were headed by an academic whose professional background in Mercosur issues had started in the State and Administration Research Center (CISEA), an academic think tank in which the Foreign Affairs Minister in the Alfonsín government (1983–1989) had previously worked; he was an advocate of integration with Brazil (PICE).

This group operated between 1992 and 1994, and produced a series of reports on a range of issues. Initially the work consisted of building indicators to determine the sectors (at the level of each tariff chapter and tariff line) in which most disputes would arise in fixing the CET. This was done by combining the values of intra- and extra-Mercosur trade with the existing differences in the average tariffs of Argentina and Brazil. For those sectors with the greatest potential to spur disputes, the group later undertook preliminary statistical studies on productive chains and tariff levels, as a first approach to a discussion of effective protection.

Of all the sectors, capital goods was the most contentious. Quantitative studies were presented but their influence was neutralized by the success of convertibility at that time. It is worth recalling that the CET was negotiated before the tequila crisis, a time when the need to modernize,

the advantages of trade opening, a fixed exchange rate and the preeminence of the market were almost indisputable certainties. (interview with a UBA researcher and economist, a member of the GAEC)

Research was also carried out on very specific and novel issues emerging in the tariff negotiations, although not directly connected to those negotiations.<sup>13</sup>

The work was neither easy nor immediate. Most of it (80 percent) was statistical: averages, dispersion, measures to set up the national nomenclature. There were serious problems in accessing information, since there were no digitized databases, no technology, no software support. The information had to be taken from practical guides because, though the Economy Ministry gave us the data, the information it had was fragmented and we had to complete it. These operational difficulties were exacerbated by two other factors. First, all the countries of the region decided to adapt the prevailing nomenclature (which for Argentina was that of the Customs Cooperation Council) to the six-digit international nomenclature. Second, Argentina itself was a peculiar case, because in those three years its tariff scheme changed 10 times. (interview with a UBA researcher and student, a member of the GAEC)

The findings of these studies were for strictly internal use, and they were issued as “Working Papers of the Undersecretariat of Economic Policy” (numbered) as part of the agreement between the ministry and UBA’s Economics Faculty.

Another research group was also formed in the Economy Ministry for the purposes of the CET, but unlike the case described previously it did not comprise ministry staff but rather hired researchers. They were hired through the Secretariat for Economic Planning with UNDP financing, as part of the same program that financed the sectoral studies analyzed earlier.

Though the goal of this consultancy was to advise the negotiators and provide inputs to the negotiations, the methodology was completely different. The team of Edgardo Lifschitz and Eugenia Crespo Armengol proposed building an input-product matrix to identify which goods Argentina should protect and what tariff levels were needed to ensure protection of the value chain (effective protection). The guidelines and parameters of the research were set by the undersecretary, and they did not necessarily respond to the negotiators’ needs.

A third research group, designated by the Foreign Affairs Ministry, also took part in the negotiating team of the Common Market Group (CMG). To define the CET, Guadagni assigned Julio Berlinski, an economist at the Di Tella University who had previously worked on effective protection issues.<sup>14</sup> He was asked to make a technical proposal on the criteria for a CET in the region. The study was prepared in 1992 as part of the UNDP program

and was published as part of Project RG/87/014 under the title "Mercosur, comercio internacional y protección en Argentina y Brasil" (CEI).

Over time, another team of young researchers was created in the Foreign Affairs Ministry, including Marcelo Garriga and Pablo Sanguinetti, who formed part of the CEI and in 1993 produced a study entitled "El arancel externo común y el compromiso competitivo del Mercosur" (CEI).

A final technical study worth mentioning came from the private sector, from the Petrochemicals Chamber and the Latin American Petrochemicals and Chemicals Association. This was a harmonization of the sector's tariff nomenclatures in the four member states, although they began only with Argentina and Brazil. This was not an easy task because unlike other sectors, chemicals and petrochemicals is a very complex sector with 2,849 tariff lines (30 percent of all the lines in the entire tariff schedule). And the work was made more complicated because, as mentioned, the countries had different nomenclatures.

Nonetheless, that sector had advantages over others and over the state itself. First, it had a long and consistent experience in regional negotiations. Second, it had highly professional technical staff with access to sectoral statistics and information that the government lacked at the national level, much less the regional level.

The sector's proposal consisted of an agreed and harmonized scheme among the two most important countries of the region, and it recommended progressive protection ranging from 2 percent to 16 percent. Only three products on which agreement was not reached were omitted. They were included as part of an annex that stipulated the maximum positions of each chamber. The governments took five years to resolve this matter.

I think that we are the only chamber that does it systematically and consistently. Even before integration in MERCOSUR, we and our Brazilian colleagues examined this very complex issue, which could have a highly positive/negative impact on the industrial sector. So it was advisable to monitor the government's actions and submit joint proposals on the part of the chemicals industry. This decision was taken when Mercosur had just been announced by Menem. In late November we had some meetings, which we had been having since the 1980s between Latin American business people. We arranged a meeting of firms, no more than 15 people, and the decision was that we have to start working so that we can tell the government what we want. After that, first we reached a sectoral agreement that was finally submitted to the government but it was never approved. Then we did something else, and this was a problem for them: we harmonized the tariff nomenclatures of the four countries. They all had different numbers of digits, different philosophies. (interview with a representative of the Argentine Chamber of Petrochemicals and Related Products)

FIEL also established its position in an article that used simple methods to assess the starting point of tariff policies in Brazil and Argentina, and the probable changes attendant on implementation of the CET. The study was written by Marcela Cristini and Nora Balzarotti in 1993 and was called “El arancel externo común del Mercosur: los conflictos” (FIEL Working Paper 36). Like all the studies produced by that think tank, it was geared more to the public debate and the business community than to solving a specific and more technical problem of trade policy.

### 2.3. Links with Policy Makers

From the formal standpoint, it can be said that all the aforementioned research managed to reach the decision makers simply by virtue of the fact that it was produced “for” or “at the request of” the government itself. Thus there was consistency between the demands of the public sector and the inputs (research) provided by academia. Other conditions are needed, however, if research findings are to reach or influence decision makers.

The first condition is that the research themes and the decision makers’ requests need to be compatible. When the officials and/or agencies that commission the research are not in communication or coordination with those who make decisions, it is very likely that the research will not reach its target audience or that it will be considered superfluous when decisions are taken. At best it might serve other ends: not to propose concrete solutions, but to “shed light” and expand knowledge, and/or to contribute to a debate on issues and nondominant outlooks. This is what happened to the great majority of the impact studies commissioned by the Foreign Affairs Ministry and the Economy Ministry in that period. In the particular case of the Argentine Foreign Affairs Ministry, the goal of the then-Undersecretary, Alieto Guadagni, was to enrich the public debate in favor of deep integration with Brazil, and to change the thinking and approach of the majority of the negotiators and diplomats, following the passage of Cavallo and the Mediterranean Foundation through the Foreign Affairs Ministry. He thought the country’s best option was to reach conclude free-trade agreements with countries in the North.

Especially in Mercosur’s opening there was a certain inertia in some parts of the Foreign Affairs Ministry, sectors that distrusted Brazil and preferred an agreement with the United States. We opted for the Alfonsín-Sarney agreement that was later expanded . . . There were very serious disputes within the cabinet, which were never made known. Here’s an anecdote: before the ratification of Ouro Preto, when Cardoso was elected, his first trip was to Argentina. The Economy Minister [Cavallo] arrived late to the meeting in Olivos and proposed an arrangement that differed from Mercosur [he proposed a free trade area]. Nobody said anything, until in another meeting Cardoso was told that what had

been said earlier was invalid. (interview with a Foreign Affairs Ministry official; clarifications in brackets added by the authors)

A second requirement for linkage is that the research must be seen as *reliable* (in its procedures, data, and findings) by its target audience. This was absent in the production of the matrix of data that then-Secretary Mayoral commissioned from external consultants of the Economy Ministry. Though the matrix was known by the negotiators in WSG 10, it was regarded as irrelevant because it had been built using outdated information (using the last available structure, which dated from the 1970s and was updated in the mid-1980s), and it brought nothing new to the discussion.

We made no matrix, and what the matrix said was not very different from what the sectors themselves said. From our day-to-day research we knew which sectors had to be protected and which not. In fact, what would have been very useful, and what we needed, was a quadripartite matrix and not a national one. (interview with a technical specialist of the Economy Ministry and negotiator in WSG 10)

Apart from this kind of technical matter, other factors hampered communication and coordination with the hired researchers that the Economy Ministry entrusted with the same issue. Personal mistrust arose between the two teams because of the high salaries paid to the hired specialists (using UNDP financing), which were triple those paid to the permanent staff. This was exacerbated by the fact that the latter had more responsibilities than the former.

A final requirement to ensure that academic output reaches the negotiators and decision makers is the question of *time and form*. The Berlinski report faced a serious problem inasmuch as it was not connected to the day-to-day management. Though it began with clear instructions and knowledge of cause, in the end it was like a desk study. In other words, through the researcher was an expert in the issue, the very logic of the negotiations is that of “process”—that is, the scenarios and the proposals from the other side change constantly. Thus the impossibility of acquiring “just in time” information made the studies less relevant and up-to-date. Another problem that constrained their scope was, in the words of the author himself, the lack of continuity over time. In short, this expert’s work was above all a training instrument for the Foreign Affairs Ministry negotiators who were unacquainted with technical tariff issues because those issues have traditionally been the institutional preserve of the Economy Ministry.

Well, I think that negotiations are a process, and so papers are irrelevant. They can give an idea, a guide, but then the advisor is somehow supposed to take part in the whole process. That did not happen, at least not to me. Perhaps I am to blame for that because politicians bore

me. Partly I think that they do not want to disrobe in front of you, and they do more than they really understand . . . The important thing is to maintain some continuity. Nobody is interested in doing a series of tariffs because it is very complicated, so in practice they resort to specific cases and that does no good. (interview with a hired academic)

The situation is no better at the regional level. As analyzed in section 4, an external expert, Honorio Kume, was hired to provide input to the negotiators. That report, however, as Kume himself says, mainly dealt with a theoretical debate about trade creation and trade diversion. In any case, some negotiators claimed that although the study had fulfilled the demands of form and its proposals met the demands arising from the negotiating groups, it arrived late on the desks of the Argentine negotiators.

When Kume completed the study it was already late, the work had finished . . . We had contact with him because he went to the quadripartite meetings as a support to Mercosur and said what he was doing, writing reports and so on. But I personally think that I took the report as being for the 'library' because it arrived late. I think I found it useful later. (interview with a technical specialist of the Economy Ministry and negotiator in WSG 10)

Thus we arrive at the last group of technical studies on the CET, which successfully met the three requirements outlined above: to respond to the needs of the decision makers; to reach reliable (empirical findings); and to be presented on time and in the right format. We refer here to the GAEC studies. Their advantage was that they ensured an *ex ante* and permanent linkage between the UBA and the ministry: the former provided technical knowledge, and the latter offered information and day-to-day experience of the negotiations. As leaders of the Argentine delegation, the ministry officials received instructions from Minister Cavallo and the Common Market Group.

This *ex ante* linkage—that is, contacts before the decisions were taken, whereby the research group supplied technical inputs while the government officials who negotiated provided information on the proposals received from the other member status—gave rise to a flow of information and expertise, and offered tools to the negotiators. This process made it possible to devise a medium-term agenda and to adapt its output to the demands of the negotiations.

#### 2.4. The Use of Research in Decision-Making

Of all the technical studies, the most useful for the purposes of the Mercosur negotiations were those produced by the GAEC group for the Economy Ministry and WSG 10. This was not a question of a single work in itself,

but rather a response to a series of demands and inputs that changed over time as the agenda altered. Its findings were inputs for later stages. Thus, for example, a first outcome was the preparation of indicators of contentious areas in order to determine the CET (combining indicators of national tariffs and trade). A second product was the construction of a statistical database adapting the data on employment, value added, and linkage coefficients to two digits of the international nomenclature. The research agenda in itself did not progress beyond that because nobody believed—neither the public officials nor the private actors—that the member states would comply with the time frames and objectives of the Asunción Treaty.

Each of these reports, especially those offering the statistical data, played a key role in the negotiations. They gave the officials and negotiators evidence to underpin a defense of the national position. In fact, this factor distinguished the Argentine delegation from those of the other countries: Brazil already had a team of experienced negotiators who were familiar with the information, while Uruguay and Paraguay lacked such resources. The negotiations in WSG 10 required, first, an agreement on an eight-digit Mercosur Common Nomenclature, which entailed reconciling the national nomenclatures; these complied with the international standard up to six digits but differed thereafter. Only with such an agreement could the member states define the negotiations for each product, with a view to agreeing on the type and level of tariff that was suitable for the bloc as a whole and for each country.

But apart from the proposal-related and operational use of academic work in devising solutions to problems and immediate needs, much of this research helped put new issues on the table and opened up the public debate. This is what happened to the work on scenarios, as well as to most of the impact studies commissioned by the Foreign Affairs Ministry. Academia helped broaden the debate on which model of international insertion was most advisable for Argentina: complete opening to the world, as Chile had done; or one mediated by regionalism with Brazil as the main partner. This struggle between the Economy Ministry and the Foreign Affairs Ministry had moved to the very heart of the government.

With the initial success of convertibility, the Economy Ministry under Cavallo was inclined toward a free-trade area with Brazil and resisted deepening Mercosur by means of a customs union. There were two reasons for this stance. First, the ministry did not want to lose its maneuvering room in the discretionary management of external tariff policy. In the context of convertibility, that was one of the few variables through which the government could address the balance of payments deficit.<sup>15</sup> Second, Cavallo favored a free-trade area with the United States, as did significant parts of the private sector (agriculture and the iron and steel industry, for example). In the Foreign Affairs Ministry, by contrast, the pro-integration sectors were not even dominant. In that respect, the CEI and the hiring of different academic and private think tanks provided discussion fora in which to

generate a critical mass within the ministerial structure and contribute to the public- and business-sector debate.

Nonetheless, the limits of academia's capacity to make proposals and communicate its findings became apparent in 1993, when Brazil threatened not to grant preferential access to Argentine products (fuels, cars, wheat and wheat flour) if Argentina did not comply with its commitments under the Asunción Treaty and move toward a customs union. This sparked private-sector interest in taking part in drawing up Argentina's proposal for the CET. Until then, the private sector (with the single exception of the petrochemicals chamber) had remained detached from the negotiations and had trusted in Cavallo's capacity to hold back the CET. In fact, that nonparticipation was what had allowed the technical specialists and the academics to work without pressure from private lobbies.

Most of the business chambers and sectors generally played no part; they were not even informed. It's true when they say they learned about what was happening from inventory movements. We (the negotiators) received no input from the sectors. So just as we had no input, we had no instructions. We worked with desk estimates; we calculated the point to which we could take the tariff in terms of the productive chain, and we fought as hard as possible for our ideas at the negotiating table. (interview with a technical specialist of the Economy Ministry and negotiator in WSG 10)

In mid-1994 the entrepreneurs activated their contacts with the negotiators and officials of the Economy Ministry, sending them their positions in writing. Not all the private actors were involved in these consultations, but rather those that were more concentrated and had greater lobbying power (iron and steel, textiles, sugar, paper). Most of the sectoral positions were maximalist and it was impossible to negotiate them in any realistic way. What determined the usefulness of these requests were technical criteria and the personal experience of officials in the Economy Ministry. On the basis of this evaluation by the technical specialists and the politicians, the GAEC team sought criteria and arguments for the negotiations.

Iron and steel were the paradigmatic case. The Techint Group producing sheet metal asked for a protection level of about 14 percent. This was not feasible in the negotiations with Brazil because it was an input for the vehicle industry and because Brazil played a dual role in that value chain (apart from being a supplier of iron ore, it is a consumer of sheet metal for its finished products). Nonetheless, the sector's lobbying power obliged the negotiators to seek technical arguments to secure the best negotiating outcome: the employment level required by the sector was the best justification.

It may be concluded that the technical and impact studies had little influence on the negotiating position that Argentina took to the regional talks on the CET. The only study that had some influence was that submitted directly by the petrochemicals industry to the Mercosur authorities.

### 3. BRAZIL

#### 3.1. The Pre-CET Context

One result of the breakdown of the import substitution policies that had been the engine of growth in Brazil during the 1970s was a dramatic decline in economic growth in the 1980s, accompanied by a three-year recession. Inflation, which had been under control in the 1970s, began to accelerate at the end of that decade and the early 1980s because of the oil crisis. As regards exports, it was clear by the late 1980s that the dynamism of Brazil's industry had declined significantly and that the country had lost share in the main international markets (Motta Veiga, 2006). The modest share of imports in Brazil's domestic consumption continued to fall in response to devaluation and the implementation of import controls.

Nonetheless, the loss of trust in the autarkic model of import substitution opened a window of opportunity in policy terms, such that protection of the domestic market could start to be lowered. Brazil's trade liberalization began in 1988, six years before the CET became operational, and was implemented in three stages. The first was in the period 1988–1989, when there was a nominal reduction in tariffs from an average of 57.5 percent to 32.1 percent (De Paiva Abreu, 2000).

The second stage, which was the most intense in terms of liberalization, was between 1991 and 1993. The average tariff fell to 13.5 percent and there was a sharp decline in nontariff barriers (NTBs) on imports. This progressive elimination of the NTBs was particularly significant because they had been used since the 1940s, while the special import regimes regulated the allocation of external trade on the basis of discretionary criteria and tariff reductions. The new government of Collor de Mello announced various measures that profoundly altered Brazil's external trade policy and simultaneously made the exchange-rate system more flexible. As most of the NTBs disappeared, the customs tariff assumed the leading role in protecting local industry. The tariff reform brought about the gradual reduction in tariffs on all products over the following four years, at the end of which there would be a modal tariff of 20 percent, ranging from 0 percent to 40 percent (Berlinski et al., 2005).

Finally, in 1994 the unweighted average nominal tariff fell again, to 11.2 percent. These tariff adjustments reflected the government's aim of imposing more stringent disciplines on domestic prices in the early period of the Real Plan's implementation in 1994 (De Paiva Abreu, 2004). Between March and December 1994, during the transition phase and the early months of the Real Plan, tariff reduction was used intensely as a mechanism to discipline domestic prices by increasing the level of external competition. Import liberalization peaked in September 1994 when three factors combined: the overvaluation of the real relative to the dollar as a result of the entry of foreign capital; the introduction of the CET three months earlier, without use of the list of exceptions; and the

tariff reductions implemented in order to put pressure on domestic prices (Kume, 1998).

In short, the 1990s saw a significant shift in Brazilian trade policy, which moved from a protectionist, import substitution model to substantial unilateral liberalization, and later to a model of regional integration that finally consolidated several of the unilateral reforms. Despite the wave of liberalization, however, several import-competing sectors managed to retain some of the protection they had enjoyed in the import substitution period—especially the automotive sector, the electrical-electronic sector, textiles and garments, and capital goods, which had benefited from the policy of industrial import substitution in previous decades. Thus the sectors most affected by the implementation of the CET after 1994 were textiles and clothing (though this sector was damaged more by unilateral opening), auto parts, and toys.

Motta Veiga (2006) points out that the sectoral dimension of the trade negotiations has a central role in defining the agenda of the negotiations with Brazil. Preference is given to job-creating sectors, producers of technology-intensive or high-value-added goods, as well as some intermediate sectors that are important in the country's industrial structure and that have strong lobbying capacity. These are basically sectors such as vehicles and electronics, chemicals, and iron and steel, all of which (except the last) are essentially import competing.

Finally, it should be kept in mind—in terms of the political-economic context in which Brazil conducted the CET negotiations—that Mercosur has a fundamentally political value for each country, and in that respect the goals of the integration agreement were and remain subordinate to national objectives that take priority over the regional endeavor. This has hindered the integration process because, as Mattli (1999) points out, one of the necessary conditions for successful regionalism is the presence of a regional leader that can act as a focal point for institutionalization and serve as regional paymaster—assuming certain costs that the process might entail. In this respect, the CET negotiations made plain that Brazil, though it was the natural leader of Mercosur by virtue of its size, was unwilling to pay the cost of liberalizing certain sectors (those that had strong lobbying power) beyond the point at which they would not be competitive. In other words, the protection of certain sectors in which Brazil was uncompetitive affected its regional partners, in some cases causing trade diversion that benefited Brazilian industries that maintained a high level of protection.

### **3.2. Academic Output and the Participation of the Private Sector in the Discussion of the CET**

The first stage of trade liberalization in Brazil entailed a drastic change in the government's openness to recommendations from the private and academic sectors. In the import substitution period, the mechanisms for

dialogue between the government and the private sector had been intense and fluid, albeit only modestly institutionalized or transparent; they were mainly dominated by sectoral lobbies with access to the government through various informal channels.

The onset of liberalization caused a significant change because the Brazilian government imposed a self-isolation of the state in order to move forwards with the unilateral liberalization and then Mercosur. Had it been otherwise, private sector resistance would have been so great that the government would have been unable to liberalize. (interview with an academic and consultant of the Brazilian private sector)

One of the main problems that Brazil faced in the 1980s and early 1990s was inflation, which peaked at 2,000 percent in 1990 and 1994, and was highly volatile. In the late 1980s there was a consensus in the government that the main beneficiaries of the inflation effect were the concentrated industrial sectors that could set prices and the unionized workers linked to those sectors, since the sectors were protected. At the time, therefore, there was talk of an “inflationary coalition” of these actors, one from which the state must be insulated in order to break the prevailing pattern and embark on the trade reform that would liberalize those sectors and others, so that competition from imports could put a ceiling on prices.

The period of negotiating the CET was a turning point in the trend toward government isolation that had prevailed since the start of the liberalization. As of 1993 in particular, the government gave some space for discussion back to the private sector, especially through the sectoral fora that operated in the Collor de Mello period. This allowed private actors to establish their positions on the CET through consultations effected by noninstitutional channels.

As regards consultations with academia, in Brazil the situation was somewhat unusual because in the first phase of liberalization the individual most knowledgeable on tariff matters at the academic level, Honorio Kume, was in the government and was responsible for those same issues. Kume was responsible for the negotiation of the CET between 1991 and 1993, and most of the interviewees agree that he was the academic who knew most about the matter. When Kume ceased to be an official and representative in WSG 10 on Mercosur tariffs, he remained in contact with the Brazilian negotiator, providing advice as necessary. As a researcher, Kume wrote much on import policies, and thus the government asked for practically no research on the issue. The government's few requests in that respect were made to colleagues who had a previous government relationship, and most were financed by IPEA, a governmental think tank.

Historically, all negotiations in Brazil are conducted by the Foreign Affairs Ministry. Nonetheless, the substantive part of the negotiations is established in the Ministries of Agriculture and Industry—that is, the

Foreign Affairs Ministry forms its negotiating position and negotiates with the participation of these other ministries. In relation to actual tariff issues, the Customs Policy Commission (which was then in the Treasury Ministry) was the body that had most influence in the CET negotiations. On more strategic matters, Itamaraty's influence was greater.

The CET negotiations in particular were coordinated by the staff of the Finance Ministry. Alexandre Tombini was the official who replaced Kume in this endeavor. While the CET was being negotiated, Kume coordinated a quadripartite team researching on trade creation and diversion. The project was financed by the IADB. The coordinator of the study himself, however, felt that it had no influence on the negotiations.

Most of the interviewees agree that during the CET negotiations, there was little research on the matter. There were, nonetheless, several IADB-financed studies, some of them on sectoral impacts and others on trade creation and diversion. This latter debate became crucial when a World Bank official published a study<sup>16</sup> that asserted that Mercosur diverted more trade than it created. Moreover, in the same period there were several UNDP-financed studies on specific policy issues that the government entrusted to various consultants and academics with whom it had a prior relationship. They were not made public and were used only by government officials. There was, nonetheless, a series of sectoral studies that analyzed the effects of the CET on competitiveness.

Campbell, G. (1993) "Diagnóstico de competitividade agropecuária y agroindustrial a nivel del Mercosur. Programa de apoio técnico para a implementação de Mercosur." BID ATN/SF-4130-RE (mimeo).

Castro, A. (1993) "Competitividade da indústria de óleos vegetais". Campinas: MCT/FINEP/PADCT. Estudo da Competitividade da Indústria Brasileira (mimeo).

Wilkinson, J. (1993) "Competitividade da indústria de laticínios." Campinas: MCT/FINEP/PADCT. Estudo da Competitividade da Indústria Brasileira (mimeo).

Belik, W. (1994) "Agroindústria e reestruturação industrial no Brasil: elementos para uma avaliação Cadernos de Ciência and Tecnologia," Brasília, v.11, n.1/3, p.58-75, en [http://atlas.sct.embrapa.br/pdf/cct/v11/cc11n1\\_3\\_03.pdf](http://atlas.sct.embrapa.br/pdf/cct/v11/cc11n1_3_03.pdf).

Coutinho, L., and Ferraz, J. (coord.) (1994) "Estudo da Competitividade da Indústria Brasileira." ECIB, Papyrus e Editora da Unicamp.

Fagundes, Maria Helena (coord.) (1994) "Políticas agrícolas e o comércio mundial," IPEA.

Mendes, A. (coord.) (1994) "Liberalização de mercado e integração econômica do Mercosul: estudo de caso sobre o complexo tritícola." Brasília: IPEA.

On the Brazilian side the perception is that in the early years of the debate on the CET and the first Mercosur instruments, there was no systematic discussion because there were very few studies by academics and consultants. The few existing studies were geared only to a few issues chosen by the government or sometimes by the private sector. The IPEA (Institute of Applied Economic Research), which reports to the Planning Ministry and is its in-house think tank, carried out several of these studies. The only think tanks with a sustained line of work on Mercosur in that initial period of integration were FUNCEX, which was financed by the Bank of Brazil, and CEBRI, which had produced a series of studies on effective protection that were taken forward by Honorio Kume, who had been on the staff of the institution before moving to the government.

Motta Veiga, P. (1991) "Cone Sul a Economia Política de la Integração," FUNCEX, Banco do Brasil.

Pereira, Lia Valls (1991) "Integração do Cone Sul: algumas reflexões," FUNCEX, Banco do Brasil.

Braga, H. (1995) "Zonas de Processamento de exportação: avaliação e perspectivas," FUNCEX.

Chudnovsky, D., and López, A. (1995) "Políticas tecnológicas en los países del Mercosur," FUNCEX.

Machado, J. (1995) "Política Industrial e integração regional: diretrizes e instrumentos de reestruturação produtiva na União Europeia e lições para o MERCOSUL," FUNCEX.

One of the interviewees<sup>17</sup> stated that when the CET negotiations started, very few specialists were familiar with this issue. In that light, and given that trade flows between the member states were positive in the early years of the tariff's implementation, the issue elicited little concern or interest. Neither the economic sectors nor academia focused on the CET in its early years, since there were no significant areas of dispute among the member states. The later negotiations with third countries, by contrast, sparked a broader debate on the issue, one in which academia began to take a more active role.

Ministério das Relações Exteriores (1993) Departamento Integração Latino-Americana, "MERCOSUL-NAFTA: perspectivas de relacionamento." *Política Externa*.

Bresser Pereira, L., and Thorstensen, V. (1993) "Do MERCOSUL à integração americana." *Política Externa*.

Camargo, S. (1993) "Europa Ocidental e América do Sul: duas regiões à procura de sua integração," *Contexto Internacional*.

Albuquerque, J. (1994) "O NAFTA e o futuro do MERCOSUL." *Política Externa*.

- Almeida, P. (1994) "MERCOSUL e União Européia: vidas paralelas?" *Boletim de Integração Latino-Americana*.
- Almeida, P. (1994) "O Brasil e o MERCOSUL em face do NAFTA." *Boletim de Integração Latino-Americana*.
- Barbosa, R. (1994) "A integração subregional, regional e hemisférica: elementos para uma estratégia brasileira," Fundação Getúlio Vargas.
- Pasquariello, K. (1994) "MERCOSUL e NAFTA," Centro de Estudos de Cultura Contemporânea CEDEC.
- Pla, J., and Algorta, J. (1994) "O MERCOSUL e a comunidade européia: uma abordagem comparativa," UFRGS/Instituto Goethe.
- Thorstensen, V. (1994) "Relações comerciais entre a União Européia e o MERCOSUL: impacto da formação do bloco Europeu e da política de comércio externo da UE para o MERCOSUL," *Boletim de Integração Latino-Americana*.
- Hinojosa-Ojeda, R., Lewis, J., and Robinson, S. (1995) "MERCOSUL e NAFTA: convergência e divergência na integração das Américas," Brasil. Instituto Nacional de Altos Estudos.
- Soares, G. (1995), "A compatibilização da ALADI e do MERCOSUL com o GATT," *Boletim de Integração Latino-Americana*.
- Velloso, J. (Coord.) (1995) "MERCOSUL e NAFTA: o Brasil e a integração hemisférica," Brasil. Instituto Nacional de Altos Estudos.

The debate on the tariff issue at that time revolved around, first, the unilateral liberalization that Brazil was implementing and, later, the compatibility of that liberalization with Mercosur. The National Confederation of Industry (CNI) produced some studies of the issue. Nonetheless, one of the interviewees<sup>18</sup> stated that the more academic studies had no influence on government decisions on Mercosur. The question that abides is whether academia failed to influence policy decisions because of a lack of expertise, or because the government did not want any input that could affect policy decisions that were controversial, especially for the private sector.

### 3.3. Scant Consultation: Lack of Expertise or Isolation?

In general, there is a widespread perception among the private sector and academia that actors from neither group took any great part in the discussion of Mercosur and the CET. The decisions were highly concentrated in the government, which decided it was better to restrict the level of consultation in order to have greater maneuvering room to implement certain trade policies that probably would have sparked much more private-sector resistance if they had been discussed more openly. In a similar vein, one of the private-sector interviewees,<sup>19</sup> a representative of one of Brazil's leading industrial organizations, acknowledged that:

If the private sector had been consulted and included in the early period of the Mercosur negotiations, the initiative as such would not exist today because the private sector would have opposed it.

In this respect, Mercosur seems to be a project pushed strongly from the government side but not by the private sector or academia. Almost all Brazilian sectors resisted implementation of a tariff lower than that bound in the WTO. A representative of the CNI, however, recognized that although the consultation with them was limited, there was dialogue at the sectoral level once the government had decided the basic profile whereby the tariff would be staggered.

In fact, the government called a meeting before the CET agreement.<sup>20</sup> After several hours of negotiation between the public sector and the representatives of the private sector in that meeting, some agreements were reached. For example, in the capital goods sector there was agreement on a tariff reduction timetable starting at 20 percent, the maximum allowed by the WTO, and falling to 14 percent. While all the consumer sectors had higher protection, some were more protected. Among the least protected were international commodities such as petrochemicals, since they generally had lower tariffs throughout the world.

All the productive sectors were called to a meeting that lasted for more than eight hours, until 2:00 a.m., where the government pressured some sectors to accept CET levels that they did not want. (interview with a representative of the private sector, currently an official of the Development Ministry)

In these meetings, both FIESP and the CNI tried to represent industrial interests in general, but the consultation was mainly at the sectoral level. In this respect, some sectors have an independent lobbying capacity, such as iron and steel (Brazilian Iron and Steel Institute, IBS), the automotive sector (Association of Vehicle Manufacturers, ANFAVEA), the machine sector (Brazilian Association of the Machinery and Equipment Industry, ABIMAQ), electrical equipment, and the chemicals sector (Brazilian Association of the Chemicals Industry, ABIQUIM). These had the most weight in the negotiations. FIESP, the Federation of Industries of Rio de Janeiro (FIRJAN) and the CNI, for their part, represented the interests of small sectors from a general perspective of the negotiations.

There was a private sector perception that the Mercosur project made little sense, especially in the context of the Initiative for the Americas. It was seen as an Itamaraty project, being pushed by FIESP and the relationship between São Paulo and Buenos Aires. (interview with an academic expert on Mercosur issues)

In addition to the widespread perception of most of the interviewees that the government's consultations on the CET were limited, and that the private sector and academia had limited influence, academia itself exhibited some resistance to Mercosur. One of the interviewees<sup>21</sup> indicated that many researchers believed that the initiative was uninteresting and a waste of resources. This also explains the modest academic output at the start of the process, which only exacerbated academia's lack of expertise on the issue and weakened its capacity to influence the process.

Reportedly, one of the most controversial matters in the CET negotiations was the decision about which sectors would be included among the exceptions. While tough negotiations were to be expected on this point, the exceptions to the CET were not negotiated specifically with the most affected sectors. On the contrary, many interviewees mentioned that the exceptions to the CET were used by the Brazilian government as a price control instrument at a time when the country faced very high inflation. Brazil implemented the Real Plan in July 1994. In December, when each country had to present a list of products to be excepted, the Real Plan was in its initial phase and there were doubts about price stabilization. Hence the government did not want many exceptions, so as avoid leaving the sectors room to increase prices.

The private sector tried to inform the government that the outcome of the CET was unsatisfactory, that Brazil had made excessive concessions. It is interesting to contrast this opinion of the private sector with the fact that the structure of the CET was designed in the image of Brazil's tariff structure. Moreover, most of the tariff liberalization had been undertaken in the phase of unilateral liberalization, and thus the greatest concessions had already been made. The CET, in the final analysis, locked in the liberalization process that Brazil had undergone earlier.

In sum, what is striking about academic participation in this episode is that there was a particular context: the government decided to isolate itself in order to implement certain policy decisions that would have triggered a great deal of resistance if they had been discussed more openly. At the same time, the tariff issue was a matter of which academia had little knowledge, with the exception of the researcher who knew most about the issue and who was part of the government during the negotiations. Also at the same time, academics exhibited significant resistance to Mercosur, which they thought would be subsumed in the FTAA initiative, and thus there was little interest in it. Several interviewees pointed out that as the integration agreement advanced, the government and academia underwent a learning process on the need to analyze these issues, giving rise to a much more intense interaction.

#### 4. CONCLUSION: THE REGIONAL NEGOTIATIONS

As mentioned at the start of this chapter, the negotiations to set up a customs union began in 1991 by means of a very detailed timetable that was

devised at the Las Leñas summit. At that meeting, instructions were given to each of the 11 WSGs, among which WSG 10 on "Coordination of Macroeconomic Policies" would be responsible for designing the CET.

Between 1991 and 1993, WSG 10 made partial progress: the national delegations exchanged nomenclatures, and the rules and criteria for designing the CET were agreed on. Given the asymmetries between the countries and the diversity of their tariff structures, there was swift rejection of the Uruguayan proposal to set a flat tariff. A decision was made to have a staggered tariff with proportional rates from zero to another of 20 percent, with exceptions of up to 35 percent. There was no agreement on the tariff scaling levels: Argentina wanted three levels and Brazil wanted eleven. The negotiation was left for later, and it was suggested that each country present its proposal in writing by May 1992.

To support the difficult work of the national delegations, as mentioned, the Common Market Group used IADB financing to commission a Brazilian academic to prepare a study on trade diversion and Mercosur. For that purpose Kume took part in the meetings of WSG 10, where he acquired the information on national cases and made a series of recommendations for the member countries.

This study, however, was basically an academic debate with the World Bank papers that criticized Mercosur because of its trade diversion effects.

That whole discussion was irrelevant. The World Bank accused Mercosur of trade diversion . . . but Mercosur's problem with diversion is not a problem with the rest of the world . . . In that respect the World Bank was mistaken in saying that a region as completely insignificant as Mercosur could affect the rest of the world. The trade diversion problem in Mercosur is a domestic distributive effect among the countries. If there is a trade-diverting area of the world, it is NAFTA. (interview with a technical specialist of the Mercosur Secretariat)

In mid-1993 it started to become apparent that the deadlines could not be met. As regards harmonization, there was liberalization of 85 percent of the tariff schedule but crucial discussions persisted (Berlinski et al., 2005). The countries with less diversified productive structures, like Uruguay and Paraguay, were opposed to granting tariff preferences to the bigger partners, while Argentina and Brazil differed as regards the sectors that were most competitive: agriculture in Argentina, and capital goods and information/telecommunications in Brazil.<sup>22</sup> Argentina's "orthodox" decision in May 1993 to reduce the tariff on capital goods to zero and subsidize the national producer threw overboard Brazil's proposal to maintain continuity with the policy of protecting and promoting the sector (20 percent tariff), as begun in 1987 with the PICE.

The WSG 10 negotiations faced a significant impasse when, in early 1994, Minister Cavallo decided to pursue closer relations with the United States by the project of signing a free-trade agreement, and proposed to

Brazil the suspension of the Asunción commitment, limiting regional integration to a free-trade area. That is when Brazil decided to impose its leadership at both the bilateral and regional levels. At the regional level, it exploited the absence of political backing for the Argentine negotiators in order to impose its tariff scale. Since this was “super-refined” (proportional rates of 2 percent), it protected the country’s productive structure and ensured greater effective protection in levels of domestic industrial processing.<sup>23</sup>

At the bilateral level, Brazil held high-level meetings with the Argentine government in which it threatened to remove preferences in market access and assented to Argentina’s request to extend the deadlines (four years) for completing the intra-Mercosur liberalization program (Regime of Final Adaptation to the Customs Union).<sup>24</sup> Argentina’s decision to accept a customs union instead of a free-trade area was not long in coming, since the only sector with a surplus comprised exports to Brazil (cars, oil, and wheat). A contributing factor to the decision was Washington’s lack of interest in an agreement with Argentina. The United States preferred Chile, with which it signed a bilateral agreement in 2002.

Thus Mercosur arrived at Ouro Preto (1994) with an average CET of 11 percent. On those products where there was agreement, the criterion was obtained through averages. In the other sectors, where there were irreconcilable differences, the decision was to apply a convergence system with a time frame for gradual tariff modification, both descending and ascending. There were five lists of exceptions. The first, the national list of products in the Extra-Mercosur Adaptation Regime, excluded from the CET those products that were in the final adaptation regime for intra-Mercosur trade. Otherwise, intrabloc tariffs could have entailed negative discrimination for the regional partners; thus, for all the member states, it was descending. The second, which was how the national lists of exceptions to the CET were drawn up, was descending for those products that were sensitive to extra-Mercosur competition or ascending when the countries did not produce the goods or were prioritizing the price effect. The third list concerned textile products, which in Argentina continued to be protected by specific duties whose *ad valorem* equivalent was higher than the CET. The fourth and fifth were the sectoral lists of capital goods, as well as information technology and telecommunications goods. In both, Brazil presented a descending schedule and Argentina an ascending one (a reflection of the discussions mentioned earlier), though for these countries the deadline for the first list was 2001 and for the second it was 2006.<sup>25</sup>

Uruguay and Paraguay, the member states with weaker industrial structures, sought to negotiate lower tariff levels in order to avoid trade diversion to Brazil’s advantage, but the CET negotiations went in Brazil’s favor and thus the tariff reductions were not significant (Berlinski et al., 2005). Nonetheless, some products that underwent greater tariff reduction could be included in the list of exceptions.

Brazil's limited use of exceptions confirms that the CET was designed to suit the country's productive profile, apart from the need to control prices at that time. Without question, the scale of the Brazilian market was a crucial power factor when the final design of the CET had to be decided upon. In this respect, it is important to note that imports into Brazil had been falling since early 1993 because of the unilateral liberalization.

It should also be kept in mind that the Brazilian government exposed local industry to greater competition in the period 1991–1993, when much of the unilateral liberalization was carried out. In other words, during the most complex phase of the CET negotiations, Brazil had already paid many costs through unilateral liberalization, and those costs were not extended much further with the implementation of the CET. Berlinski et al. (2005) state that the exceptions were used only after the implementation of the tariff. The Brazilian government was authorized to change the list of exceptions when it had to meet demands for higher protection, and especially to maintain imports at levels consistent with greater equilibrium in the trade balance. Thus tariffs were raised on some imports that were entering the country in high volumes.

Thereafter, the exceptions to and breaches of the CET began to multiply, and many of them persist to this day.

In both cases, academia played little part in the CET negotiations, but the Argentine government seems to have been much more amenable to consulting academics on the issue. At the same time, academia had more influence in Argentina because the sector had greater interest in the issue of Mercosur at the outset, and there was much more academic work at the national level. In Brazil, academia had much less influence, for two reasons: first, the government isolated itself in order to implement many of the reforms; and second, academia had no great interest in Mercosur when the negotiations started. Moreover, the bureaucracy of the Brazilian public sector was more organized and competent in these issues. Thus there was little demand for technical studies because many experts on the matter were working in the public sector.

## NOTES

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2. This commitment took shape in 1990 through the Buenos Aires Act and was institutionalized through Economic Complementarity Agreement 14 and the Asunción Treaty, which included Uruguay and Paraguay in the undertaking to create a Southern Common Market (Mercosur) in 1995.
3. In 1985, Argentina and Brazil began the rapprochement that gave rise to the PICE, whereby they planned to engage in a series of joint initiatives in various fields (the economy, nuclear accidents, aeronautical cooperation). In the

economic field, the protocols signed between 1986 and 1989 covered various matters: six on productive integration; six on para-trade issues and trade facilitation; four on infrastructure; four on science and technology; and three on sundry issues.

4. This made it possible to boost trade in those exportable goods in which the countries had previously specialized. Obviously, Brazil's supply was bigger, and Brazil supplanted the United States as Argentina's main supplier. Argentina, for its part, boosted exports of wheat and manufactures.
5. These two plans were devised by the staff of Economy Minister Juan Sourrille to end the economic crisis of 1986–1987, and to receive new disbursements. Unlike the orthodox recipes of the International Monetary Fund (IMF), these plans sought to curb inflation using more heterodox approaches.
6. Protection remained high until the mid-1980s, after which the first moves were under way to eliminate import bans and to lower tariff peaks. Thus the average tariff of more than 30 percent fell to about 18 percent in 1989–1990, and to 12 percent in 1991–1992.
7. Convertibility was chosen by Menem's third Economy Minister to end the problem of inflation and bring about price stability in Argentina, challenges that had defeated his two predecessors. It consisted basically of tying the value of the peso to the dollar (Convertibility Law) in order to avoid domestic fluctuations; to ensure fulfillment of the idea, it was implemented as a law.
8. The Trade Liberalization Program is detailed in Appendix I of the Asunción Treaty.
9. The more sophisticated methodologies and statistical equations, such as computable general equilibrium, had just arrived in the country and were used toward the end of the 1990s. On their use and application in the studies, see Berrettoni, Cicowiez, and Galperín (2006).
10. Article 13 of the Asunción Treaty authorizes the Common Market Group to create "the Working Subgroups needed to fulfill its mission."
11. The CEI was created as an in-house think tank by Carlos Bruno, who promoted integration with Brazil during the Caputo administration and succeeded Romero after his death. On the basis of experience, his idea was to create a research center to analyze medium- and long-term international negotiating scenarios. Daniel Chudnovsky was its first director.
12. This group was formed as part of the program of internships that the Economy Ministry set up for UBA in 1991. The aim was to involve young graduates and advanced students, and simultaneously to help meet the administration's technical needs. Since this was a novel initiative, the GAEC's working conditions were very rudimentary; its offices were lent by the Banco Ciudad, it lacked the latest software, and it had little financing.
13. Two novel matters that were included on the GAEC's agenda were the GATT and the possible effects of the multilateral negotiations on Mercosur's CET; and the GSP and the tariff concessions on sugar that Argentina had with Tanzania, and how that might affect the CET.
14. Berlinski had been one of the first in the country to work on tariff issues and thus he was frequently asked to advise the government, despite his strongly academic background. He produced his first study in 1977.
15. At the time, Argentina's level of protection was higher than formally stated and the government levied a statistical tax of 3–10 percent.
16. See Yeats, Alexander. 1998. "Does Mercosur's Trade Performance Raise Concerns About the Effects of Regional Trade Arrangements?" *World Bank Economic Review* 12, no. 1 (January): 1–28. The article was published in 1998 but the debate began in the years before its publication.
17. Interview with an official of the Development Ministry.

18. Interview with an academic, an expert in Mercosur issues.
19. Interview with an academic.
20. Interview with an official of the Development Ministry.
21. Interview with a researcher.
22. In the area of agriculture, Brazil favored low nominal proportional rates. Argentina rejected this because of concerns that low tariffs on products such as powdered milk, wheat, meat, and rice would harm its access to the Brazilian market relative to the subsidized prices of third countries. In the case of capital goods, Argentina favored giving the sector one of the lowest levels of protection in the tariff structure so as to modernize the country's industrial plant using cheaper international equipment; Brazil was categorically opposed to this. As regards information technology and telecommunications goods, Brazil wanted to impose high tariffs in order to retain its position as virtually the only supplier in the region (Giorgi et al., 2003).
23. The lowest protection levels (5–10 percent) were for inputs of widespread use (iron and steel, chemicals and petrochemicals, cellulose and paper), and the highest (18–19 percent) were for final consumer goods, both durables and nondurables. In the middle (an average tariff of 14 percent) were goods in the foodstuffs chain, especially processed foods. Fuels retained an almost-zero tariff level.
24. The negotiations to secure these exceptions were bilateral and took place in Buenos Aires province in 1994. The Regime of Final Adaptation to the Customs Union was actually an adaptation program geared to ensuring a free-trade area in a maximum and single period of four years. In Argentina's case, a total of 221 products were included, most of them from the iron and steel sector, textiles, footwear, and paper, which to this day remain excepted by other trade instruments or private agreements. The numbers for the other countries were: Brazil, 29; Uruguay, 427; and Paraguay, 1,018.
25. For both lists the convergences of Uruguay and Paraguay were ascending and the deadline was 2006. For more detail on the tariff scheme that emerged from Ouro Preto, see Bertoni et al (2008).

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# 7 The Impact of Academia on the Negotiations on Health and Education Services in Argentina

## Challenges and Opportunities

*Mercedes Botto and Juliana Peixoto Batista<sup>1</sup>*

### INTRODUCTION

In the mid-1990s, a series of new issues were incorporated into international trade negotiations. Unlike in the past, these were not concerned with tariff matters but rather sought the liberalization of national regulations, including those on services. This sector is significant in the international economy: in 2004 it represented almost 20 percent of world trade (OMC, 2004) and promises to keep growing as technological progress continues.

Negotiations on services appeared at the multilateral level for the first time in the Uruguay Round as a demand of the developed countries. Since then, they have emerged in the various negotiating fora, especially those concerned with the so-called asymmetrical agreements in which developing countries negotiate bilaterally with developed nations and are thus at a disadvantage in terms of technical and negotiating capacity.

Academia is closely related to the services issue, which is a paradigmatic case of what Kahler (1997) calls “knowledge-based policies.”<sup>2</sup> It took many years of work by intellectuals for the issue to be included on the international trade agenda through the General Agreement on Trade in Services (GATS) in the Uruguay Round. In the developing countries, by contrast, academic work started in the 1990s as a reaction to the implementation of the Marrakesh accords.<sup>3</sup> In Argentina, particularly, and especially as regards educational services, the reaction was even more tardy. It became apparent after the declaration of the secretariat of the World Trade Organization (WTO), which included education as a service to be regulated under WTO rules (OMC, 1998).<sup>4</sup>

The aim of this study is to analyze the extent to which academia took part in and influenced the negotiations on issues, such as services, that are novel and highly complex. In contrast to their work on tariff matters, government officials and negotiators do not always have enough experience and knowledge to negotiate these issues and, most particularly, they do not know the status of the regulations at the national, regional, and multilateral levels. Apart from the novelty of the issue, the other feature of these negotiations that distinguishes them from traditional talks is their high degree of complexity, since this is not a matter of tariffs but of regulations.

This offers exceptional opportunities to academics as providers of solutions or as assistants in technical aspects of the negotiations.

Given the breadth of the issue, this chapter will consider the participation of academia only in the negotiations for the liberalization of health and education services. It will not examine commercial services such as transport, banking, and communications. Although the growth and economic importance of these services have been much greater, we choose education and health because they have two peculiarities. First, these are services that are traditionally considered public, and thus it is feasible to anticipate a greater number of interests and outlook in the debate about whether to liberalize them. Given the range of interests and views, politicians and negotiators need impact analyses and academic studies that allow them to assess or uphold their positions in the various national and international negotiating fora. Second, academia plays a second role in the liberalization of services, especially education: it is the target of the outcome of the negotiations.

Because of time and space constraints, this analysis is confined to Argentina from the mid-1990s to the present day. The first section of the chapter examines the dynamics of the negotiations in the multilateral (WTO), hemispheric (Free Trade Area of the Americas, FTAA<sup>5</sup>), interregional (European Union-Mercosur), and regional (Mercosur) fora. Particular attention is paid to the strong linkage between them and the clear leadership of the WTO. The second section assesses progress in the negotiations on health and education in the past ten years. Most progress has been made at the regional level. Finally, the chapter examines the national debate, identifying the substance and formulation of Argentina's negotiating position and determining which nongovernmental actors have played a crucial role.

Our conclusion is that academia's role in the debate did not take the form of academic inputs to the negotiations (impact studies, regulatory analysis, and so on), but rather was expressed as the voice of a strongly defensive position.

Methodologically, the present study used qualitative techniques in the gathering of data and information (analysis of official documents and semistructured interviews) with all the leading players in the services negotiations in Argentina between 1992 and 2005. These actors were mapped using a backward-looking approach that identifies a public decision or policy and, thereafter, the actors that influenced or tried to influence its outcome. In this case, the decisions were the positions of Argentina in the different negotiating fora, and the medium of influence was the publications and opinions on the issue expressed by the various public and private actors (see appendixes 2a and 2b).<sup>6</sup>

## 1. THE DYNAMIC OF THE NEGOTIATIONS

This section analyzes how the services negotiations advanced: the rules, procedures, and institutions that shaped the pace. Of the various negotiating

fora, we limit ourselves to the WTO because that is the organization that defines the rules and procedures of trade liberalization, which are then emulated and deepened in the regional and bilateral fora.

The negotiations on services have two peculiarities: their substance and their procedures. Both of these are stipulated by the GATS, which was negotiated during the Uruguay Round (1986–1994) and entered into force in 1995 in the WTO framework.

As mentioned, the inclusion of services in the WTO was a victory for the developed countries, sources of the leading multinational services firms.<sup>7</sup> The developing countries, however, led by Brazil and India, were able to neutralize some of the effects through the inclusion of some principles and rules governing the agreement, and through the dynamics of the negotiations themselves. As shown later, this largely explains why these two matters are inspired by divergent outlooks.

### **1.1. Substance of the Negotiations: What Is Negotiated?**

Liberalization of trade in a service means changing or eliminating the national regulations governing that service, thereby allowing and guaranteeing external providers access to the national market and the same treatment as that given to national providers.

The aim . . . is to establish a multilateral framework of principles and norms for trade in services, with a view to expanding trade under conditions of transparency and progressive liberalization.<sup>8</sup>

Unlike the liberalization of goods trade, the norms that regulate the provision of services are not as easy to measure as tariffs. In most cases, they are local norms and regulations that have not been commonly codified. Moreover, often the negotiators themselves do not know the national norms regulating these issues. In that regard, and to foster progress in the negotiations, the WTO identified three basic aspects of these regulations on which to advance liberalization: market access (national); national treatment (no discrimination in favor of nationals); and the principle of transparency (access to information on the regulations). All countries that assume commitments on the issue are obliged to comply.

In addition to this complication, services have another peculiarity. Again, unlike goods trade (tangibles), trade in services (sale-purchase) can take different forms. The WTO identified four modes:

- *Cross-border supply* (mode 1), which is when the service is provided from a distance—that is, it travels to the consumer; in the case of education, for example, this is known as “distance learning.”
- *Consumption of services abroad* (mode 2): when the consumer goes to another country to receive the service.

- *Commercial presence* (mode 3) of the provider in a third country (which allows flows of foreign direct investment, FDI).
- *Presence of natural persons* (mode 4)—that is, when the service provider goes to the country of consumption. Nonetheless, the form these modes assume will depend on the sector in question and the peculiarities of its content.<sup>9</sup>

All services are negotiated in the GATS. They are grouped into twelve categories, which are divided into 163 subsectors in line with the UN nomenclature.<sup>10</sup> In the particular case of education services (sector 5), the identified subsectors are in the fields of primary education, secondary education, higher education, adult education, and other education services. For their part, health services are divided into three sectors: 1A: professional services (medical and dental services—1Ah; and services provided by midwives, nurses, physiotherapists, and paramedical personnel—1Aj); 7A: insurance services (health insurance services—7Aa); and 8: social and health services (hospital services—8A; and other human health services—8B).

Simply to enunciate these “codifications” gives an impression of issue’s complexity and the variety of sectors and modes, as well as the trickiness of the negotiations. Hence, it is understandable why access to information and the management of technical knowledge are key to determining the potential winners and losers in the negotiations. Lacking those resources, the tool available to many developing country governments is to remain apart from the negotiations. Next we describe the rules and method of the negotiations.

## 1.2. The Negotiating Procedures: How Are the Negotiations Conducted?

The main feature of the services negotiations in the WTO is that the member countries voluntarily assume commitments. In other words, the governments themselves freely (at least formally) decide and specify in which services, subsectors, and modes, under what conditions, and with what limitations, they will give “market access” and “national treatment.” This is what is technically known as “positive list” negotiations (only what is on the list is liberalized).

A second rule that gives governments flexibility is the bilateral format of the negotiations.<sup>11</sup> Although formally it is a multilateral agreement to be recognized by all the member countries (more than 150 of them) at the end of the round, the negotiations are conducted by two countries that reciprocally make explicit their willingness to liberalize. In this respect there is no control and monitoring of the negotiations by the multilateral organization responsible for the talks, nor can public or private actors from third countries acquire access to information.

The Council for Trade in Services is the WTO body responsible for these negotiations, and sets two key dates for the talks: those for the “requests” and the “offers.” Recently, to give more momentum to liberalization, the Council has also organized meetings (service clusters) open to all member countries, wherein the proposal documents and/or concerns about aspects of the negotiations can be made known. These latter are almost always produced by the countries that have offensive offers on the issue (see subsection 3.1).

The bilateral negotiations are in two phases. In the “requests” phase, each country asks other members for access in subsectors, modalities, and other aspects that it wants to liberalize. Thereafter, the two countries embark on consultations in an effort to devise an initial offer. The “offers” phase begins when the countries respond to the requests of their counterpart with a list of offers of what they are willing to open. The requests are secret, while the list of offers is available to the other WTO members but not to the general public. The list is regarded as a draft commitments document, since it could be improved before the round ends.

In each country’s list, the commitments can take two forms: horizontal, when the concessions or restrictions are defined as valid for all the sectors on the list; or specific, when they are confined to certain modes of supply, sectors or subsectors (see Table 7.1).

The annotations made to the list entail a legally binding commitment and indicate the presence or absence of restrictions in terms of market

*Table 7.1* Example of List of Commitments (by country)

<i>Sector/Subsector</i>	<i>Market Access</i>	<i>National Treatment</i>	<i>Additional Commitments</i>
5C. Higher education services	Mode 1: unbound	Mode 1: unbound	Mode 1: the country commits to establish regulations for the Law on Higher Education by Distance Learning in a maximum of two years after submission of the present list
a. Undergraduate education services	Mode 2: unbound	Mode 2: unbound	
	Mode 3: unbound	Mode 3: unbound	
	Mode 4: unbound except as indicated in the horizontal commitments	Mode 4: unbound except as indicated in the horizontal commitments	
5b. Postgraduate educational services	1) None	1) None	
	2) None	2) None	
	3) None	3) None	
	4) Unbound except as indicated except as indicated in the horizontal commitments	4) Unbound except as indicated except as indicated in the horizontal commitments	

*Source:* Prepared by the authors.

access and national treatment in each of the four modes of supply, and each sector or subsector. The terminology is as follows:

- When a member does not wish to impose any restriction, the annotation is NONE, which is the same as saying that the sector is liberalized. External providers have access to the national market and/or the same regulatory treatment as that given to national providers.
- When a member wishes to retain its freedom to introduce or maintain restrictive measures on external providers with regard to market access and/or national treatment in a given sector or supply mode, the annotation is UNBOUND.
- When a member wishes to assume commitments that do not refer specifically to market access or national treatment, the corresponding annotation will be made in the column of additional commitments.
- When a country wishes partially to liberalize its market it must specify textually the concession or restriction to which it refers (in the corresponding field: access, national treatment or additional commitments).
- In some circumstances it might be the case that a certain mode of supply is neither technically possible nor viable. In that case the annotation is UNBOUND\*, and generally there is a clarification at the foot of the page (“\* Unbound because not technically viable”).

In the hypothetical example given in Table 7.1, the country assumes no commitments at the undergraduate level except for the horizontal commitments of mode 4, which are valid for all sectors. Hence, it states “unbound.” On the other hand, it places no restriction in any of the modes of liberalizing the postgraduate subsector, with the exception of mode 4 (movement of persons), where it assumes no commitment beyond those contemplated horizontally and thus it states “none” in the other modes: 1 (cross-border supply), 2 (consumption abroad), and 3 (commercial presence).

In the final column the country commits to regulate the higher education sector in the distance supply modality (mode 1), within two years of submitting the list. Since this is not a specific commitment on market access or national treatment, but rather a commitment on the regulation of the subsector in general, the corresponding field is in fact that of additional commitments.

These commitments are not fixed or closed. They can be improved at any time, irrespective of how the negotiating round unfolds. From the aforementioned it is apparent that despite the general principle of progressive liberalization, the GATS is a flexible and open accord in terms of its procedures. This general framework also authorizes the member countries not to make any change whatever if they do not wish to do so. At the end of the round, therefore, while all countries are legally obliged to present their

list of commitments, the members can present the lists without including new commitments relative to previous lists.

Nonetheless, the agreement is not so flexible when it comes to withdrawing from commitments assumed. Commitments can be withdrawn or changed only following an agreement with the affected countries on corresponding compensatory adjustments and after certain requirements have been met, including the possibility that the case may be taken to arbitration in line with Article 21 of the GATS: the specific commitments thus have a similar effect to that of a tariff binding; they give the economic agents of other countries the guarantee that conditions to enter and operate in the market will not be changed to their detriment (Berlinski and Soifer, 2002).

## 2. THE STATUS OF THE NEGOTIATIONS

### 2.1. Progress at the Multilateral Level (WTO)

The establishment of the WTO was a milestone in the liberalization of services trade. Although there had been earlier growth in international services trade, the WTO's innovation was the creation of a legal body to drive and consolidate the process (Ruiz Caro, 2006). In the Uruguay Round (1986–1994), when most countries assumed commitments in this area, there was talk of legally binding international commitments. Later, this momentum faded and the countries, with the exception of those in Eastern Europe,<sup>12</sup> resisted expanding their commitments.

In the case of education and health services, progress on market liberalization was very modest from round to round. Compared to the other services, sector 5 (education) and sector 8 (social and health services) have made the least progress (see Table 7.2). The main reason for the scant growth of commitments is that these are sensitive sectors, along with energy services, because of their direct link to strategic and development agendas.

A second conclusion to be drawn from Table 7.2 concerns the members that adopt an aggressive, pro-liberalization position; the developed countries and the formerly communist countries (those said to be “in transition”) are prominent here. Developing and less developed countries are those that take defensive or protectionist positions. The difference between the formerly communist countries and the developing countries stems from two factors: external, such as WTO conditionalities to their admittance; and internal, such as the absence of private actors/institutions that adopt a defensive posture towards the decision to open the economy to international competition.

Interest in deepening liberalization commitments in the health and education sectors in the WTO has not been uniform across the different sub-sectors. As regards education, in the current Doha Round<sup>14</sup> the requests

Table 7.2 Sectoral Commitments in the GATS (Values in Percentages) to March 2005

<i>Members</i>	<i>Sectors</i> <sup>13</sup>											
	1	2	3	4	5	6	7	8	9	10	11	12
Developed countries (25)	60	60	56	56	40	52	60	20	60	48	56	8
Transition (17)	100	100	94.11	100	94.11	100	100	82.35	100	76.47	100	0
Less developed (33)	57.57	33.33	36.36	18.18	27.27	29.62	36.36	29.62	87.87	36.36	30.30	6.06
Developing countries (72)	72.22	80.55	22.45	20.83	16.66	20.83	90.27	26.39	94.44	34.72	59.72	5.55
Total (147)	70	68.70	51	35.37	31.97	36	74.14	31.29	87.75	42.17	57.14	5.44

*Source:* Verger (2006a).

focused on the subsectors of higher education, occupational training services, and testing services, and they were made by the United States, New Zealand, Australia, and others (Verger, 2006a). With regard to health, most of the interest was in the area of health insurance (Salvador, 2002).

These differences are further nuanced when commitments are disaggregated by modes of supply. In all the subsectors, mode 4 (movement of persons) has the least extensive commitments (Verger, 2006b). This is the only mode in which the developed countries are less in favor of opening than the others—largely because this kind of commitment is incompatible with rich countries' migration policies (Saner and Fasel, 2003).

The results to date are far from the initial expectations of the countries promoting this approach. The negotiations on services trade are in a second round<sup>15</sup> that should have finished in 2005. One of the reasons why it did not is that by that year only 68 of the 155 countries had submitted their lists of offers (Abugattas, 2005; OMC, 2004) and those offers were termed “low quality.”

For those countries with offensive interests, the reasons for the slowness and ostensible lack of interest lies in the rules guiding the negotiations. To make them less flexible and ever more legally binding, the European Union (EU) submitted a proposal<sup>16</sup> (known as a “non-paper”) that was discussed in the clusters preceding the Hong Kong conference in December 2005. The debate was followed by other countries such as Japan, Switzerland, Australia, Hong Kong, South Korea, Taiwan, Canada, India, Chile, China, and Pakistan. The EU proposed that in each round, the countries should establish commitments in an obligatory manner in a minimum number of sectors/subsectors, and that the bilateral offer/request method should be replaced by a plurilateral method. Nonetheless, because of opposition from many governments and an active global civil society, only the second recommendation was included (Verger, 2006a).

## **2.2. Progress in the Asymmetrical Negotiations<sup>17</sup> (FTAA and European Union)**

Given the difficulty of reaching consensus in the WTO because of the majority presence of countries with defensive interests, the United States led an effort to include the issue in the bilateral negotiations (free-trade areas, FTAs) with the developing countries. The first experience was NAFTA, before the Uruguay Round had even finished. Over time, however, FTAs have proliferated and other countries and regions, such as the EU, have adopted the strategy (see Table 7.3). For the developed countries, the interest lies not only in the profitability of the services sector but in the possibility of standardizing the values and models of those cultures and including new issues—such as intellectual property, government procurement, and so forth (Ruiz Caro, 2006).

*Table 7.3 FTAs Signed or Under Negotiation with a Services Agenda (1994–2006)*

<i>Year</i>	<i>Countries</i>	<i>Status</i>
1994	NAFTA	Concluded
1994	FTAA	Under negotiation
1995	EU-Israel	Concluded
1995	EU-Mercosur	Under negotiation (*)
1997	United States-Laos	Concluded
1998	EU-Persian Gulf	Under negotiation (*)
1998	EU-Moldova	Under negotiation (*)
1998	EU-Tunisia	Concluded
1999	EU-South Africa	Concluded
1999	EU-Kazakhstan	Under negotiation (*)
2000	EU-African, Caribbean and Pacific states	Under negotiation (*)
2000	EU-Morocco	Concluded
2000	United States-Vietnam	Concluded
2000	United States-Jordan	Concluded
2001	United States-Algeria	Under negotiation (**)
2001	EU-Egypt	Concluded
2001	EU-South Korea	Under negotiation (*)
2001	EU-Mexico	Concluded
2002	EU-Algeria	Under negotiation (*)
2002	EU-Jordan	Concluded
2002	EU-Lebanon	Concluded
2002	EU-Chile	Concluded
2003	EU-Andean Community	Intent to include (*)
2003	United States-Chile	Concluded
2003	United States-Singapore	Concluded
2004	United States-Australia	Concluded
2004	United States-Bahrain	Concluded
2004	United States-Morocco	Concluded
2004	United States-Malaysia	Under negotiation (*)
2004	United States-CAFTA-Dom. Rep.	Concluded
2004	United States-Panama	Under negotiation
2004	United States-Thailand	Under negotiation

*(continued)*

Table 7.3 (continued)

<i>Year</i>	<i>Countries</i>	<i>Status</i>
2004	United States-Arab Emirates	Under negotiation (**)
2004	United States-Colombia	Under negotiation
2004	United States-Ecuador	Under negotiation
2004	United States-SACU	Under negotiation
2004	EU-Syria	Concluded
2005	EU-ASEAN	Under negotiation (*)
2005	United States-Peru	Concluded
2006	United States-Oman	Concluded
2006	United States-South Korea	Under negotiation
2006	United States-New Zealand	Intent to include
2006	United States-Egypt	Intent to include
2006	EU-Caricom	Concluded
2006	EU-East and Southern Africa	Concluded
2006	EU-Pacific	Concluded
2006	EU-Central America	Intent to include
2006	EU-India	Intent to include

Notes: \* There is cooperation in the process of being implemented.

\*\* In the context of an existing investment agreement.

Source: Prepared by the authors.

Nonetheless, the inclusion of education and health services on the agenda of FTAs differs from the principles and rules of the GATS in a crucial respect: that of positive lists. The FTAs are negotiated on the basis of negative lists—that is, everything a government does not explicitly exclude from the negotiations is subject to liberalization. Hence the exceptions to the general principles of international services trade that countries decide to apply in FTAs must be listed in the annexes of nonconforming measures.

As Table 7.3 shows, services were included in most of the negotiations for FTAs in the 1990s, but they differ significantly in scope. An extreme case is that of the U.S.-Chile accord, in which liberalization includes cross-border services in computing and related matters, telecommunications, audiovisual services, construction and engineering, tourism, professional services, distribution, higher education and training, environmental services, and financial services. At the other extreme is the U.S.-Morocco FTA, which covers only cross-border services, financial services, and telecommunications.

In the case of the asymmetrical accords—with the United States (FTAA) and the EU—Argentina negotiated as a Mercosur country and not alone.

In both sets of negotiations, services were included because of interest on the part of the developed countries. The FTAA talks started in 1994 with an extremely ambitious agenda that covered twelve trade issues, including services. From the start of the negotiations on services, the main point of contention concerned the method. The United States and some Central American countries wanted to negotiate on the basis of negative lists. Mercosur led the position in favor of positive lists. Finally, they decided to include the two lists and leave the choice to each country.

The services negotiations made progress until the counteroffers, but Mercosur did not present a list, and the talks stalled in 2004 because Mercosur resisted the inclusion of issues such as health and education as a response to the U.S. and Canadian refusal to move forward on the elimination of agricultural subsidies.<sup>18</sup>

The Mercosur-EU negotiations for an FTA began as a European response to the U.S. incursion into the matter, and also as a way of consolidating and expanding the presence that Europe had acquired in the region through the privatizations of the early 1990s. From Mercosur's perspective, however, the European proposal to negotiate was much more attractive than that of the United States.<sup>19</sup> On the issue of services, the EU proposal established the positive-list principle as the negotiating method and confined protection of investments to the services agenda (mode 3).<sup>20</sup>

The negotiations began in 1995<sup>21</sup> in biregional negotiating committees (BNCs). The process entailed a total of fifteen meetings and was highly active, but discussions were suspended in late 2004 because of a lack of agreement on agriculture.

The liberalization of education and health services was not important in these asymmetrical negotiations.<sup>22</sup> But progress was made on the issue in the negotiations with the EU, as part of the development cooperation agenda. As mentioned earlier, the cooperation and services agendas are relatively autonomous and involve different ministries and actors. For example, educational matters are dealt with through cooperation between teaching institutions, agreements between education ministries, and in cooperation fora such as the Summit of Ibero-American Public Universities. Education is also a sector in the services agreement between the two regions, as negotiated in the Mercosur-EU BNC.

### **2.3. Progress at the Regional Level (Mercosur)**

Services trade in Mercosur is regulated by the Montevideo Protocol (signed on 15 December 1997), which obliges the four members to engage in successive negotiating rounds that must be completed within ten years of the protocol's entry into force: this is Mercosur's program for the liberalization of services trade.<sup>23</sup>

The negotiating method used in Mercosur, as well as the nomenclature, is similar to that of the WTO. The scope proposed by the Montevideo

Protocol, however, is much broader.<sup>24</sup> Though the countries negotiate on the basis of positive lists (WTO-equal), all sectors are formally included and there is a maximum time frame within which they should be liberalized (WTO-plus).

The Protocol entered into force in 2005, obliging the members states to complete the liberalization program by 2015. To date, however, progress has been limited.

- Up to 2004, the task was to make known and consolidate the existing regulation on services trade among the four member countries.
- As of the 2005 negotiating round, the goal was to move forward on the elimination of these restrictions and the consequent liberalization of services among the partners.<sup>25</sup>
- The deadline is not being met, and the 2005 round (the sixth round) did not lead to the formalization of new lists because little progress was made on the 2004 commitments.
- Nonetheless, the 2004 lists of commitments were submitted to the four legislatures to be approved as annexes to the Montevideo Protocol.<sup>26</sup>

### 3. ARGENTINA'S NEGOTIATIONS

#### 3.1. The Previous State of Regulation

Trade negotiations for the liberalization of services did not begin until after the implementation of structural reforms in Latin America and, in Argentina in particular, in the 1990s. Though they were applied throughout the region, they were implemented by each of the democratic governments under pressure from international lending organizations—mainly the World Bank and the International Monetary Fund—with which the countries were negotiating to resolve their respective debt crises.

There is a line of continuity between the unilateral reforms pursued in each country and the international negotiations for the liberalization of services: the progress on liberalization made through the unilateral reforms would lead to consolidation and lock-in through the international agreements in the context of the new open regionalism (BID, 2002) and under the aegis of the WTO. The latter organization is not only the first global institution for the resolution of trade disputes; it also guarantees the sanctions and penalties mechanisms in the event of noncompliance with the commitments made in the agreements (Botto and Tussie, 2004).

This section examines the levels of liberalization entailed in Argentina's structural reforms in the areas of education and health, with a view to determining the state of the regulations when the negotiations in the various fora began.

Structural reform in Latin America has three basic characteristics:

- opening to private competition in the provision of public services previously supplied almost exclusively by the state (privatization);
- the transfer of the administrative functions of national states to municipalities or subnational governments (decentralization);
- deregulation allowing financial and administrative self-sufficiency, so as to confer “greater quality and efficiency” on the system (World Bank, 1995).

This ideological paradigm pervaded all reforms in the country, but its scope varied according to each sector’s prior characteristics. In the education sector, with the exception of university teaching, educational services were transferred to the provinces. Efforts to “provincialize” the universities were unsuccessful, and in the end the tertiary institutes (the nonuniversity subsector) were the only things transferred to the provinces at that level of education.

As regards regulatory changes, progress was made on creating new national structures such as the Secretariat of University Policies (SPU), the National Commission on University Evaluation and Accreditation (CONEAU), the Fund for the Improvement of University Quality (FOMEQ), and the National Agency for Scientific and Technological Development. These were responsible for financing, promoting, accrediting, and evaluating the quality and efficiency of higher education in the Education Ministry.<sup>27</sup> The changes proposed for public and private universities included the possibility of charging for degree courses, wage differentials, and the prospect of receiving material resources from companies (changing the economic-financial regime to enhance financial self-sufficiency and encourage “complementary contributions” from the private sector).

As regards privatization, the public universities did not pass into private hands but services were outsourced on a broad scale, from cleaning to the supply of software. The transnationalization of educational services was also encouraged. Finally, and with the ostensible aim of making the system more efficient, an effort was made to cut the staff, but the result was the opposite of what was intended.<sup>28</sup> In summary, as specialists point out, it was a paradoxical process in which the withdrawal of the state from some areas was matched by an increase in regulation in others (Suasnábar et al., 2005).

Conditions in the health sector were different when the structural reforms were implemented. In the 1960s and under the military government of Onganía (laws 18.610 and 19.032), the provision of health services was deregulated and opened to private suppliers. Since then, three subsystems have coexisted: the public subsystem provides free health services through a network of public hospitals and health centers; the trade union health care subsystem (“obras sociales”), which is managed by the unions and membership of which is mandatory for the entire working population and pensioners; and finally the private subsystem, which under the name of prepayment medicine brings together two business associations (the

Argentine Chamber of Medical-Welfare Institutions and the Association of Prepayment Medicine Agencies). Currently, however, it is simplistic to view the health sector as divided into these three subsystems because far from being an integrated system, it is highly fragmented (Róvere, 2001).

The reforms of the 1990s sought to make two kinds of changes. In the public health subsector, the chief measures were administrative and financial, such as the transformation of the hospitals' form of financial management, the expansion of hospital decentralization, and the privatization of ancillary services and certain health services. The most important measure was a 1993 decree (578/93) that proposed converting them into efficient, self-managed units that could acquire resources by levying charges on those who could pay and on health care providers (Acuña and Chudnovsky, 2002).

At present, the Health Ministry does not centralize the health centers, it manages only five centers for central and specific issues; the provinces do the rest. For instance, border services, which require not only negotiation of harmonization with national regulations but also agreements and negotiations with the provinces. An example: Chile's agreements with Chubut and Santa Cruz. (interview with a Health Ministry official)

In the trade union health care subsystem, the reforms proposed integrating the scheme into a single social security system, but union opposition thwarted this. Nonetheless, a significant step toward deregulation was a 1993 decree that made it possible for members to opt for a provider that did not belong to their branch of activity. This was conducive to the transfer of membership to providers that had agreements with prepayment medicine firms.

## **3.2. National Actors: Their Outlooks and Strategies**

This section identifies the views that pervade the debate on the liberalization of services and the actors that hold those views, as well as their collective strategies to advance their positions.

### **3.2.a. Educational Services**

In contrast to the situation in the health sector, the debate on education is sharply polarized by matters of tradition and ideology. The discussion is not about technical issues or negotiating strategies (what method or forum takes primacy) but about whether or not to retain Argentina's system of guaranteed education, understood as a public good that the state must protect and guarantee, by offering unrestricted access to everyone in the country.

The debate has centered on higher education rather than primary and secondary schooling, because the developed countries' main interest is in

liberalizing national regulation at the higher level with a view to competing in the local market.

The two perspectives that permeate this debate in Argentina are: first, a “market view” of the issue, held by some private universities, which see education as a tradable good; in this respect their interest focuses on the commercial agenda. From this perspective, education is now a substantial and booming business led by a growing number of multinational companies such as Fénix and Solvanes, which seek to enter national markets. In light of these new global conditions, the private universities grouped together in the Council of Private University Rectors (CRUP)<sup>29</sup> advocate adaptation to new circumstances and competition in the global market, paradoxically under the protection of national regulations. For this sector, opportunities are not confined to Mercosur but cover the whole South American market.

The strategy of the CRUP, or of the University of . . . [which leads it] has been to go out and sell services, enter in partnerships with other universities abroad, so that students obtain degrees from them without having to go to the country . . . In Mercosur, each university takes its own measures. The University of . . . has had partnerships with private universities in the Latin American Network of University Cooperation. (interview with an academic from a private Argentine university)

The second view, that of guaranteed education, is held by the public universities grouped together in the National Inter-University Council (CIN),<sup>30</sup> along with other civil society actors such as the Argentine Union of Educational Workers (CTERA) and regional academic centers such as the Latin American Council of Social Sciences (CLASCO) and the Latin American Observatory of Education Policies (OLPED). These groups produce research studies that seek to contribute to the debate on the issue by means of academic publications (for instance, Mollis, 2003; Feldfeber and Saforcada, 2005; OLPED, 2005; Gentili and Levy, 2005), as well as through discussion networks and fora (LPP, Red Estrado, Asociación Grupo Montevideo, and so on).

Unlike the CRUP, these groups do not see education as a tradable good but as a key function of the state in long-term investment for human resource development. Second, the work of research and teaching is part of international cooperation, not trade negotiations. Finally, this sector favors Mercosur over the other cooperation fora that are more closely related to the interests of the developed countries. This group’s view of international cooperation is not naïve: far from seeing it as philanthropic, they believe that the countries of the North take advantage of it. Hence the need to operate in a network that trains human resources.

The European Union is interested in the postgraduate level. It wants to attract students and if the individuals are good they stay there, while

their poor country of origin spent 20 years educating and training them . . . Argentine universities are always behind international supply, because of their financing needs. The CIN network emerged from the need to train people to devise the cooperation strategy to be adopted. At the moment only some universities take advantage of cooperation (UBA, Córdoba, Rosario and Litoral). The network’s aim is to make this more uniform. The idea is to protect public universities in areas of international cooperation, and then adopt a common position in negotiations on cooperation policies with counterparts in the North. (interview with an academic at an Argentine public university)

In summary, there are two completely different views of education, the market view and the guarantor view (see Table 7.4). Curiously, however, public expressions of what attitude to take in the GATS negotiations on the issue are similar, albeit for different reasons. Both sectors reject the idea of consolidating positions in favor of the liberalization of higher education services in the WTO negotiations. Both of them benefit from the current circumstances. Though the public universities adopt a “guaranteed education” discourse for ideological reasons, many of them are seeking to attract foreign students. As to the private universities, their discourse conflicts with the protection of acquired rights inasmuch as they try to avert the entry of foreign providers. In this case, the continuation of the status quo (the current regulations) would oblige all foreign universities to partner with a national counterpart. While not novel, in the present circumstances that would give an advantage to the private universities.

The only foreign university to set up in Argentina was Bologna, but it did so as an Argentine university and with that precedent any other that wants can come—except that because of the crisis and the lack of regulatory continuity, today it is not attractive. In Brazil, by contrast, the situation is very different. Apart from having a bigger market, it has a law that authorizes the presence of for-profit universities, and thus companies can buy universities. This does not happen in Argentina. (interview with an academic from a private Argentine university)

*Table 7.4* Views and Disputes in Education

<i>Vision</i>	<i>Priorities</i>	<i>Public Actors</i>	<i>Private Actors</i>
Pro-market	Trade agenda Global sphere	Foreign Ministry Economy Ministry	CRUP Professionals (CPAU)
Guaranteed education	Cooperation agenda Mercosur sphere	Education Ministry Provincial governments	CIN Public universities CTERA CLASCO OLPED

*Source:* Prepared by the authors.

The universities are not the only participants in the debate on the liberalization of education services. Some professional associations are also involved, but with a specific interest in binding positions (liberalizing) in mode 4. In a search for new job opportunities, architects, geologists, engineers, and chemists have taken part in the debate and have advocated opening. To induce public support for their view and to strengthen their bargaining position, these sectors have produced studies and engaged in discussions with government officials. Thus the Professional Council of Architecture and Town Planning (CPAU) produced a study in 1994 on the accreditation of vocational courses.<sup>31</sup> With the Argentine Council of International Relations (CARI), it organized a public-private dialogue<sup>32</sup> in which it launched a study prepared in conjunction with the government of the City of Buenos Aires: the Guide to the Export of Architectural Services.

In this debate of ideas and outlooks, government agencies—the Foreign Ministry and the Education Ministry—are in closer agreement than the private actors. Though their worldviews are diametrically opposed to each other (the former pro-market and the latter for guaranteed education), they agree strategically not to bind positions in the WTO but to liberalize professional services (mode 4) through the asymmetrical agreements and move forward as much as possible on the harmonization of the criteria and rules on the accreditation and evaluation of universities in Mercosur.

It must be stressed that much of the concrete gain from the liberalization of services, especially for developing countries, comes from the change in the domestic regulatory structure more than from improved access to foreign markets. As excessive regulatory interference, both discriminatory and non-discriminatory, simultaneously decreases, the participation of all service providers improves, be they national or foreign. This is not to say that there should be no regulation but that it should be done in a way that favors efficiency and competitiveness. (interview with a Foreign Ministry official, 2003)

Nonetheless, among officials of the Education Ministry there is a latent fear that negotiations will be activated, as a bargaining chip, if the developed countries make an agricultural access offer in the multilateral or biregional talks. This concern has some substance given the strategic vision of most of the Foreign Ministry negotiators, who believe that the costs of opening are negligible for a country like Argentina, which opened and “deregulated” the economy during the unilateral reforms.

In both the Education Ministry and the Foreign Ministry it is quite clear that we should not offer anything on education in the WTO . . . Mercosur is not seen as a threat. The only threat on the horizon is that education could become a bargaining chip. (interview with an official of the Argentine Education Ministry)

### **3.2.b. Health Services**

The public debate on the liberalization of health services was less ideological than that on education, and confined itself to certain issues and more technical aspects of the negotiations. The interest of nongovernmental actors, especially health professionals such as the Argentine Nursing Federation (FAE), the Argentine Medical Association (AMA), the Medical Confederation of Argentina (COMRA),<sup>33</sup> and the Federal Council of Collegial Medical Entities (CONFEMECO), centered on the advisability of liberalizing mode 4 (the movement of persons) within the region.

The position of professional associations in Argentina (engineers and doctors) has generally been much more pro-liberalization than protectionist. They want to open up the Brazilian market: they aim to acquire accreditation and certification of qualifications in the market (interview with an official of Argentina's Health Ministry)

This pro-opening position, which is also held by some private universities (such as ISALUD), did not always prevail. It emerged in recent years as a reflection of macroeconomic policy. In the period of dollar-peso parity, every attempt at deregulation was seen as a threat to private national actors. With the end of convertibility after the 2001 crisis, the balance tipped in favor of national entrepreneurs and professionals. The winners from service liberalization clearly changed after 2001.

In terms of nursing professionals, at the start of the negotiations (before 2001) there was a perception that Mercosur was a threat. With the onset of the economic crisis, that notion changed and there was talk of exchange and cooperation, of building joint positions. The FAE advocates prior consultation and uses Mercosur (regional networks) to that end, in order to put pressure on the governments. (interview with a member of the FAE)

Governmental actors, especially the Foreign Ministry and the Health Ministry, have differing perspectives on the issue; these are more a question of procedural matters than substantive differences. The first concerns the negotiating forum: The Foreign Ministry gives priority to the multilateral negotiations and bilateral cooperation agreements. The Health Ministry gives priority to Mercosur and regional cooperation; the current health minister has personal and institutional contacts with his counterparts in the region and does not need the mediation of the Foreign Ministry.

While the Health Ministry has a broad agenda in the area of international negotiations, its position on health services now prioritizes Mercosur over other fora. In Mercosur there are efforts to ensure reciprocity as regards medical attention and collecting on investments

(cooperation) among the members and associate members (significant progress with Chile). This happens on two levels: harmonization of regulations, and mechanisms to make the exchange effective. In the WTO, by contrast, the position—held in common with Mercosur's other Health Ministries—is to demand that they be consulted by the governments, especially on the issue of intellectual property . . . services are not mentioned. (interview with an official of the Health Ministry)

The second difference between the Foreign Ministry and the Health Ministry is technical, and it underlines the lack of interministerial coordination. The Health Ministry claims that the Foreign Ministry concludes agreements without being fully acquainted with their substance or analyzing their feasibility.

The Health Ministry has a very critical view of the Foreign Ministry, not so much in terms of substance but of the dynamics. Here, unlike Brazil, we have a serious weakness in our foreign service, which knows nothing about health. So, for instance, they conclude political agreements that are impossible to comply with in operational terms (for example, bilateral cooperation between Argentina and Colombia). In Brazil, Itamaraty arranges seminars on comparative legislation. (interview with an official of Argentina's Health Ministry)

### 3.3 Argentina's Negotiating Position

#### 3.3.a. *The Actors Participating in the Negotiations*

The Foreign Ministry takes the lead in formulating national strategy because it is the only ministry that sits at the international negotiating table. Political responsibility for what is sought or offered in the negotiating lists falls on the minister and his secretary for trade and economic negotiations, although the technical staff and second-line officials<sup>34</sup> are responsible for preparing them.

A wide array of ministries and decentralized agencies related to the issue also take part in defining the national position (see Table 7.5),<sup>35</sup> but

Table 7.5 Views and Disputes in Education

<i>Vision</i>	<i>Priorities</i>	<i>Public Actors</i>	<i>Private Actors</i>
Pro-market	Professional endeavor Bilateral agreements	Foreign Ministry Economy Ministry	Professional associations
Guaranteed health	Legislative harmonization Reciprocity Mercosur	Health Ministry	Unions

Source: Prepared by the authors.

only as entities that are consulted. This interministerial dialogue is concentrated in the Ministries of Health, Education, the Economy, and the Interior. The consultations are not at regular intervals and neither are they institutionalized. In general, they are held on the eve of the negotiations and/or the expiry of deadlines, and they depend on whether the Foreign Ministry negotiators call them.

The Foreign Ministry intervenes in and drives the issue of services and negotiations more than we do. In any case, at the end of all the fora, the Foreign Ministry has responsibility for the negotiations and for national coordination (as it is sometimes called) within Mercosur, in the FTAA talks, in the discussions with the EU and in the WTO . . . In the case of the WTO, on which most work has been done recently, in order to approve the negotiating framework in 2004 the Foreign Ministry consulted the Economy Ministry to see what we thought: to revise or not the offer we had made in 2003, and there the answer was no; and on that we agreed with the Foreign Ministry's opinion . . . Agriculture also took part to some extent because at some point an agriculture-related services issue cropped up. (interview with an Economy Ministry official)

These consultations are a relatively recent development, one that started in the most recent stretch of the FTAA negotiations, the phase of presenting lists of requests and offers. This was when the negotiators were obliged to find specific information on the regulations and the true status of the sector in the corresponding ministries, and to analyze with them the potential effects of an opening such as that proposed by the countries of North and Central America.

The boom of consultations in the Foreign Ministry was in 2003. In the Education Ministry we were suspicious because it was said that the hard core was economics and finance, as it ended up being in 2003 when the discussion on agriculture interrupted any chance of an agreement. The interesting thing is that Mercosur took the initiative to find information on the four countries, which took form in very significant documents that later helped support decision-making. (interview with an official of the Education Ministry)

So far these consultations have been an exchange of opinions and outlooks among public and private actors. Only rarely do they involve the production of academic studies and/or impact assessments that provide empirical data on which the negotiators can base their decisions. According to the negotiators who were interviewed for this study, the reasons for this absence are related to the lack of "significant" requests in those areas, or the absence of data to support econometric studies of potential impacts.

In recent years progress has been made on training officials of the “non-economic” ministries (Health, Education, and so on) on issues related to international negotiations and their technical aspects. At the moment, each ministry has a Directorate of International Affairs and/or an individual responsible for dialogue with the Foreign Ministry.<sup>36</sup>

Private actors are also involved in devising the negotiating position that the government takes to international fora but, in contrast to the governmental actors, their participation is secondary and generally accepted by the respective ministries.

Despite what the private actors want and believe, the governments and state specialists have the initiative in the agreements, and they proceed with the slowness of public bureaucracies. The problem is that there should not be so much delay, because one day the [Montevideo] Protocol might be in force without the accreditations—something similar to what is happening between UNESCO and the OECD. (interview with an Argentine legislator)

An exception to this rule is the Foreign Ministry’s direct consultation with the private sector over the GATS negotiations. In that case, the Foreign Ministry itself chooses its interlocutors among the private actors and invites them to offer their opinions. This is because of the highly contentious nature of the public debate and the Education Ministry’s absence as an intermediary.<sup>37</sup>

We work together: they collaborate in seminars, especially on issues related to the universities, questions on which the universities are very sensitive. And we work with them when Argentina has to establish its positions. In the meetings and seminars the participants are basically the Foreign Ministry and the Education Ministry, and among the universities the CIN and the CRUP take part. As regards cooperation, we do it jointly with the Foreign Ministry. In general we establish the substance and undertake part of the negotiations, and the Foreign Ministry ends them. But in the WTO, the Foreign Ministry has the leadership. (interview with an official of the Argentine Education Ministry)

In both cases the participation of the private actors was not spontaneous but was brought about by the government itself. Generally these are actors and organizations geared to the domestic market that have neither the experience nor the technical knowledge to compete in the international market. In general, these sectors see the foreign market more as a threat than an opportunity, even though there are health and education services with the potential to compete for niches in the regional and

global markets. So far the only exception to this rule has been the information technology sector and some professional service providers (architects, engineers, chemists).

Another means whereby private actors, whether they have offensive or defensive interests, participate in the public debate and seek to influence government positions is through national networks with links abroad. These transnational networks not only strengthen voice at the national level but also offer access to information that is otherwise unavailable. This strategy boosts the debate on education but it is also present in the collective strategy of the actors linked to the health sector.

With regard to health, the FAE does not take part in the negotiating position but in the consultations that the Health Ministry undertakes as part of the Mercosur negotiations . . . The dialogue between FAE and the ministry is recent (2004). The same is true of the doctors, with the aggravating factor that they are more divided. In Argentina, this sector's inclusion is less institutionalized than in Brazil and it has much less influence because membership of CONFEMEL is obligatory in Brazil. (interview with a member of the FAE)

While the main public-private linkages are at the national level, some actors (COMRA, for example) take part in the regional debate<sup>38</sup> through the Mercosur Doctors Integration Commission (CIMS). Its contributions, however, are confined to presence in the forum. By contrast, academic output occurs in the regional associations of medical specialties, whose membership does not always respects the boundaries of Mercosur, or in regional seminars and conferences dealing with specific issues.<sup>39</sup>

This public-private pattern characterizes the negotiations for the liberalization of services trade in all the fora, although in Mercosur the situation is even more complicated. There, the issues of health and education face two apparently contradictory objectives—to change the existing regulations in the interests of liberalization, and to foster reciprocal cooperation. The first of these agendas, as in the other international fora, is led by the Foreign Ministries of the four member countries in the Common Market Council (CMC). The second, by contrast, is entrusted to ministers in the Meetings of Ministers of Education (RME) and Health (RMS). A peculiarity is that only for health is there a working subgroup (WSG 11), while in the field of education the negotiating agenda is confined to cooperation.

Figure 7.1 illustrates the public and private actors that take part in and seek to influence decision making in the various fora: multilateral, regional, and national. The actors' profiles (public or private) are indicated by rectangular and circular graphics, respectively.

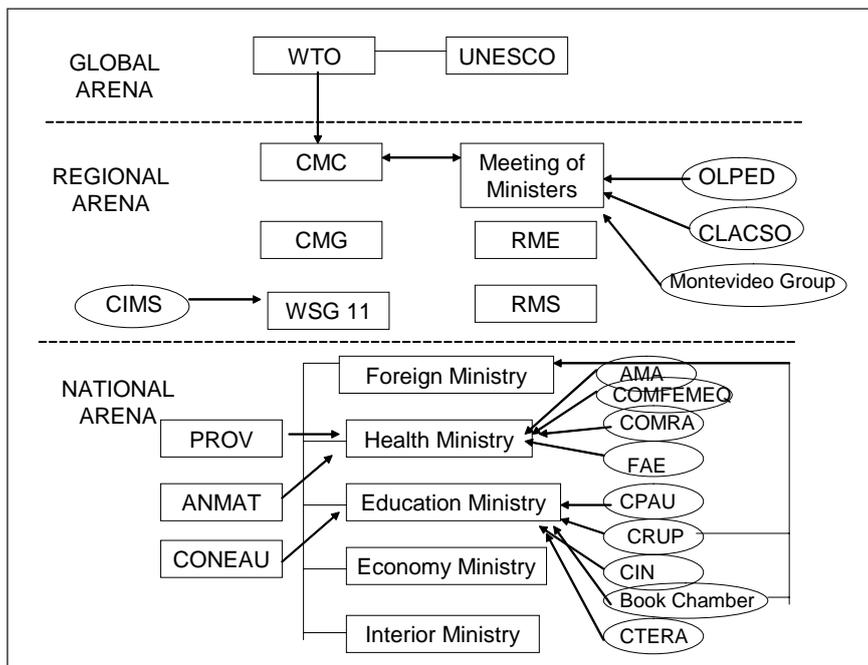


Figure 7.1 Organizational Representation of the Negotiations: Actors and Levels

### 3.3b. The Substance of Argentina's Position

This section identifies Argentina's position in each of the negotiating fora dealing with the liberalization of services trade, and analyzes the extent to which the country's position is offensive-liberal or defensive-protectionist. It was a complicated matter to prepare this section because some Argentine negotiators refused to provide the information sought and thus make their activities transparent. To bypass this lack of information, we have had to use interviews, information on the WTO's Web site, and data gathered by colleagues from other countries. In this regard, and aware that many of our interviewees would have to face this difficulty, we join the call for greater transparency from public officials in their dealings with civil society and for easier access to information.

In fact we do not know much: at least, we have been unable to obtain information on what is being negotiated on education in the WTO Doha Round. In reality, there is a kind of semi-schizophrenic discourse because, in fact, in the field of education, there is no talk of trade because to talk in those terms causes a lot of noises. But at the same time there is a series of lines that keep moving forward and that entail at least thinking about the creation of an education market, such as the

certification and accreditation of courses, including the issue in free trade agreements and so on. (interview with an Argentine academic)

*i) Negotiation of the GATS*

In this forum, Argentina's position is markedly defensive-protectionist. In the current round of negotiations, the country did not renew its previous negotiating position (2003) and made no offer in response to requests for the liberalization of postgraduate services from Anglo-Saxon countries—the United States, New Zealand, and Australia. Neither was there a response to the request on professional medical services in their cross-border consumption variant.<sup>40</sup> Argentina revealed its defensive posture by leading, with other countries, efforts to reject the EU's proposal to change the rules of the negotiations.<sup>41</sup>

This position reflects the interests of both the public and private sectors in protecting the market from foreign competition. This allows domestic actors greater freedom and lets them take advantage of the comparative advantages of current conditions, without having to bind positions at the global level under the control and inflexible monitoring of the WTO.

This strategy, however, has not been the same since the start of the GATS negotiations, at least in the health sector. In the list of initial offers, Argentina bound positions in the health insurance subsector through mode 3 and in education services through mode 4.<sup>42</sup> The aim was clear: to attract FDI and open niches for the entry and exit of certain categories of professionals.

Later, with the approach of the Doha Round, Argentina's offer in 2003 was a step backward, since it suspended authorization for the establishment of new institutions.<sup>43</sup> In the opinion of national public actors, for different reasons that suspension was related to the failure of foreign investments in the sector. First, they were not well received by consumers, who idiosyncratically prefer national providers over foreigners.<sup>44</sup> Second, this is a saturated sector of the market.<sup>45</sup> Finally, devaluation and the lack of legal security made the business less profitable.

At present, consideration is being given to the idea of liberalizing some sectors in which Argentina—according to the Health Ministry and the Foreign Ministry—would find niches in which to compete successfully. It is possible that, in a given moment or forum, there might be offers on services in the area of hospital and health center administration and/or public health services and so on.

As regards the sale of services, in the current health apparatus there are initiatives to take advantage of human resources in areas such as lead poisoning or plastic surgery, and to exploit the exchange-rate advantages. But in reality the public health issues are much more urgent and so these initiatives make no progress . . . At another level, there is

a network of small pharmacological laboratories, SMEs, and the ministry is trying to help them arrange trade missions to other countries in search of new markets. (interview with an official of Argentina's Health Ministry)

*ii) The hemispheric and biregional negotiations*

In the asymmetrical negotiations, Argentina's interest is the same as at the multilateral level. These negotiations, however, have an extra complication: the need to forge a "Mercosur" position that increases the bargaining power of the four member countries in talks with the developed countries. This is no easy task, given the differences in the legal frameworks of Mercosur's two leading economies. While Brazil has strong regulatory oversight of its domestic rules, in Argentina the regulatory framework is more lax as a result of a deeper unilateral opening and of the commitments assumed in the 1990s.

The difficulty of reaching a common negotiating position was apparent in the negotiations with the EU. Although the pattern of joint negotiations began in the FTAA, that forum was confined to defining the rules of the negotiations and the initial offers. In the EU-Mercosur negotiations, the services negotiations went beyond that. In the first half of 2004 alone there were six meetings to exchange lists.

As regards services, Mercosur's list of offers made the same horizontal commitments as the list presented in the WTO. But greater commitments were made on education and health insurance services (mode 3), offering unrestricted market access and national treatment.

We did it because we wanted the negotiations to proceed, since there was an interest in the issue because of the overlap with investment . . . On services we bound a few more commitments than in the WTO but there we faced resistance from Brazil. The discussion shifted. As Mercosur we began to call for greater EU openness on mode 4 and the Europeans asked for more banking reinsurance. The aim was to achieve liberalization in Brazil. (interview with an Economy Ministry official)

At present, services are also being negotiated in the recently-begun talks for a Mercosur-Canada FTA. Argentina's priority is investment, and Canada's is services. There are no plans, however, to include health and education in either of these areas.

*iii) The Mercosur negotiations*

The negotiations in Mercosur were activated in reaction to the talks with the EU, and because of the EU's demand that the member countries

harmonize their positions before embarking on external negotiations with Europe. In this context the members agreed on a negotiating schedule that entails total liberalization by 2015. The most recent lists available are those presented in the fifth round of Mercosur talks, though the sixth round has already ended.<sup>46</sup>

With respect to horizontal commitments, Argentina's list in Mercosur is similar to its list in the multilateral and biregional fora, but more progress was made in terms of specific commitments (see Table 7.6). As regards education, positions were consolidated in modes 2 (cross-border consumption) and 3 (commercial presence). In mode 2, the country imposes no market access or national treatment restriction on students who come to Argentina to use educational services, except the aforementioned horizontal limitations). In mode 3, as well, there is no restriction on market access or national treatment, apart from horizontal limitations such as those on the establishment of firms in border areas. This authorization, however, is confined to higher education and has some limitations, such as the condition that the "director or member of the teaching staff" be a native or naturalized Argentine citizen (the latter requires five years' residency in the country).

In the area of health, Argentina's specific commitments were concentrated in health insurance and were more open than in educational services as regards modes 3 (commercial presence) and 4 (movement of persons) (see Table 7.7). This decision stems from the interest in attracting FDI and fostering the mobility of Argentina professionals in view of the comparative advantages offered by current economic conditions relative to other countries of the region. As regards modes 1 (cross-border supply) and 2 (cross-border consumption), by contrast, Argentina introduced no innovations and thereby sought to favor private Argentine actors.<sup>47</sup>

*Table 7.6* Argentina's Education Services Commitments in Mercosur

<i>Subsector</i>	<i>Mode/Principles</i>							
	<i>Mode 1</i>		<i>Mode 2</i>		<i>Mode 3</i>		<i>Mode 4</i>	
	<i>MA</i>	<i>NT</i>	<i>MA</i>	<i>NT</i>	<i>MA</i>	<i>NT</i>	<i>MA</i>	<i>NT</i>
Primary education (5A)	U	U	NR	NR	NR	ER	U/HC	U/HC
Secondary education (5B)	U	U	NR	NR	NR	ER	U/HC	U/HC
Higher education (5C)	U/UR	U/UR	NR	NR	NR	NR	U/HC	U/HC
Other education services (5D)	U	U	NR	NR	NR	NR	U/HC	U/HC

*Source:* Prepared by the authors on the basis of the fifth round of Mercosur negotiations.

*Notes:* MA = market access; NT = national treatment; NR = no restriction; NR/ER = no restriction, except stipulated national regulation; U = unbound; U/UR = unbound because unregulated; U/ER = unbound, except stipulated national regulation; U/HC = unbound, except horizontal commitments; SR = stipulated restriction.

Table 7.7 Argentina's Health Services Commitments in Mercosur

Subsector	Mode/Principles							
	Mode 1		Mode 2		Mode 3		Mode 4	
	MA	NT	MA	NT	MA	NT	MA	NT
Professional exercise (1Ah and 1Aj)	U	U	NR	NR	NR	NR	U/HC	U/HC
Health insurance services (7Aa)	U/UR	U/UR	U/UR	U/UR	NR	NR	U/HC	U/HC
Hospital services (8A)	U	U	NR	NR	NR	NR	U/HC	U/HC
Other health services (8B)	U	U	NR	NR	NR	NR	U/HC	U/HC

Source: Prepared by the authors on the basis of the fifth round of Mercosur negotiations.

Notes: MA = market access; NT = national treatment; NR = no restriction; NR/ER = no restriction, except stipulated national regulation; U = unbound; U/UR = unbound because unregulated; U/ER = unbound, except stipulated national regulation; U/HC = unbound, except horizontal commitments; SR = stipulated restriction.

There was little progress on Mercosur's cooperation agenda. Argentina's aspirations focus on recognition of qualifications so as to allow the movement of professionals, and reciprocal cooperation in border areas.

In 2002 a pilot project was set up for the recognition of qualifications in three careers (architecture, medicine, and engineering).<sup>48</sup> This project, the Experimental Accreditation Mechanism (MEXA), sought to facilitate progress on mode 4 (movement of persons). The process was very complicated, however, and is still unfinished because of the resistance of some private actors who fear job losses.

Mercosur, despite all the progress it has made, is in a romantic phase, a phase of discourse. As regards recognition of qualifications, much more progress has been made bilaterally (Argentina-Chile, for example) than within Mercosur. What is missing is a political decision, as there was in Chile, and despite the resistance of some sectors and students who are opposed. (interview with an official of the Education Ministry)

To unblock the negotiations as far as mode 4 is concerned, the Argentine Foreign Ministry proposed three instruments: the Mercosur visa, temporary work, and the facilitation of activities (CMC Decisions 16/03 and 25/03). In parallel there is an agreement on residency for Mercosur nationals, which is being negotiated bilaterally in the region (visa extension from four to six months).<sup>49</sup>

Progress is very slow in Mercosur because the regulations have to be transposed and the governments impose obstacles through other issues and ministries. So the matter is linked not only to resistance by private actors but also to the lack of inter-agency coordination: when

a ministry does not participate in the negotiations, it shelves the initiative. (interview with a Foreign Ministry official)

The same thing happens in the area of health services. Regulatory harmonization is still at the stage of consolidating the status quo and of recognition. In that respect, the Health Ministry has called on the associations of health professionals to collaborate in producing a “Glossary of Common Terms in Mercosur Health Services” (Common Market Group Resolution 22/00) and a “List of Common Medical Specialties in Mercosur” (Common Market Group Resolution 73/00). These actors, however, evince a great deal of skepticism about the progress made because of the governments’ lack of political will to take binding decisions.<sup>50</sup> Brazil stands out for its reticence and protectionism. The Argentine government began asking for reciprocity but with little success.

Then Argentina proposed changing the methodology: instead of making lists, the proposal was to take sectors that interested the four countries and see which norms and regulations applied to them and what was the legal situation as regards the participation of foreign private actors in them—to look at the legislation of each country, identify how to negotiate so that the others have market access in the context of integration. That is the idea that we are working with but we have not finished devising the methodology and so on. (interview with an Economy Ministry official)

#### 4. BY WAY OF CONCLUSION

Compared to the other sectors, health and education services are among the least liberalized in all the negotiating fora. The decision not to make commitments on liberalization in the GATS negotiations reflects the consensus among private and public actors in Argentina that the national private sector should be protected against foreign competition and that Argentina should retain sovereignty in managing national legislation. The current circumstances, marked by an exchange rate that favors Argentine services exports in their different modes, allows the private sector to increase its export capacity without the need for greater market liberalization.

Nonetheless, Argentina’s negotiating position has moved forward in another direction, one related to FDI. This is the case of the liberalization of health insurance subsectors through mode 3. But this opportunity is not equally available in all the fora, which explains why Argentina has consolidated greater opening in services during the Mercosur and Mercosur-EU negotiations than in the FTAA discussions and the multilateral talks.

A second opportunity that the services negotiations offer to Argentina, one identified by private actors, concerns mode 4 on the movement of

persons. The business chambers and professional associations in competitive sectors hope for better job opportunities. This is only part of the story, because liberalization of the sector might bring about an improvement in personal, family, or social circumstances.<sup>51</sup> But it also entails a temporary loss of trained human resources (during the period of service provision) in which the state and society as a whole have invested over the long term.

The liberalization of services could also entail a future threat, inasmuch as it could be seen as a bargaining chip in the event that countries of the North offer developing countries improved access to their agricultural markets. This covert threat emerges from the negotiators' worldview of the costs and benefits of "deregulation." From their perspective, the liberalization of services in countries like Argentina, where structural reforms have "deregulated" markets and opened them to private competition, is not only without risk but brings benefits in terms of locking-in the process of opening and boosting the competitiveness of national providers relative to their international counterparts.

Both the optimistic view of liberalizing services trade in exchange for potential benefits in the area of agricultural access, and the negative view evinced by Argentina's currently defensive position in the negotiations, stem from ideological outlooks and the struggles of domestic lobbies. As this chapter has shown, in neither case have there been impact analyses to provide evidence of the costs or benefits of liberalization. Neither has there been an exhaustive examination of the legal framework, with a view to assessing its compatibility or otherwise with the new rules of international trade.

The debate between opposing positions and perspectives is expressed more in personal opinions, past experiences, and individual interests than in academic studies and reasoning. Although academia was involved in the debate from the outset and played an important role, its participation was more as a subject of policy than as a supplier of inputs for policy design, with the exception of a few cases of timely and exhaustive research on the issue.

The polarization and confrontation of positions between public and private actors were not equally apparent in the discussion of education and health. In the former case, the dispute between "guarantor" and "market" views dominated a sharp ideological debate both nationally and internationally. In that debate, academia played an important role as an actor and, to a lesser extent, as a source of the impact studies that are necessary inputs to negotiations. In the case of health, there was minimal debate and it centered on technical matters involving national-level actors. There are two reasons for the difference. First, changes in regulation were not a threat in the realm of public health since the system was historically decentralized and semiprivatized. Second, because of the very nature of the activity, public and private actors in the field of higher education were solidly united at the national and international levels through academic networks.

The international negotiations have brought about significant changes in procedures for drawing up foreign policy, involving a growing number of public and private actors, and creating new linkages at the national and regional levels. Greater effort is needed to ensure that the mere exchange of opinions becomes a discussion underpinned by empirical evidence.

In that respect our first recommendation is that a channel for interministerial coordination should be institutionalized. This channel should ensure the participation of the various ministries and decentralized agencies in a way that is not dependent on the will of Foreign Ministry officials, thereby guaranteeing the exchange of information, the forging of bonds of trust among officials from different ministries, and more regular meetings.

Second, we recommend that impact analyses be prepared on the status of regulation and conditions in the countries involved in the negotiations. This is a basic input to ensure that the country can make reasoned decisions in the medium and long term.

Finally, there is a need for an active public policy in favor of transparency and citizens' access to information. This would democratize the debate and foster public accountability among officials. It would also offer new opportunities for interested nongovernmental actors to take part and make proposals.

## NOTES

1. The authors thank Daniela Perrotta for her collaboration and assistance in the preparation of this study, and are grateful for comments from Nora Capello (negotiator for the Argentine Foreign Ministry), Claudio Suasnabar (researcher and professor of the master's degree in social sciences/education, FLACSO Argentina, Universidad Nacional de La Plata), Mario Róvere (researcher/teacher FLACSO Argentina—Universidad de Buenos Aires), Antoni Verger (researcher in the sociology department, Universitat Autònoma de Barcelona, Observatorio de la Deuda en la Globalización—Universitat Politècnica de Terrassa), and Umberto Celli (Universidad de São Paulo).
2. Services negotiations are extremely complex and highly technical. Expertise and those who possess it are very powerfully placed to define international agendas (Kahler, 1997).
3. The Marrakesh agreements were signed in December 1994 and ended the Uruguay Round of negotiations that had begun in 1986. That round included these new issues and led to the creation of the World Trade Organization (WTO).
4. Note that almost all the studies on services trade issues in Argentina were published as of the second half of the 1990s.
5. The FTAA is a hemispheric negotiating process involving all four member countries of Mercosur plus all the other countries of the Americas except Cuba.
6. Court and Young, 2004; Carden, 2004; GDN, 2004. See the Introduction to this book.
7. Grouped together in the Coalition of Services Industries, firms such as IBM, American Express, Citicorp, Prudential Insurance, and others pressured the U.S. executive branch to pursue an international agreement in this field (Consumers International, 1996).

8. According to Article III and Part IV of the GATS.
9. Thus, for instance, in the case of trade in health services, cross-border supply (mode 1) is exemplified by services (such as surgery) provided from a distance; in mode 2, consumption abroad, the best known example is dental treatment or surgery abroad; as regards commercial presence (mode 3), the most widespread examples are the construction of health centers or clinics, partnerships between local and foreign health insurers, and franchises. Finally, the presence of persons abroad (mode 4) is illustrated by the exodus of nurses, dentists, and psychologists to third countries where pay or sources of employment are better.
10. Services are classified as: sector 1 “services to firms”; sector 2 “communications services”; sector 3 “construction and engineering services”; sector 4 “distribution services”; sector 5 “educational services”; sector 6 “environmental services”; sector 7 “financial services”; sector 8 “health services”; sector 9 “tourism and travel services”; sector 10 “sociocultural and sports services”; sector 11 “transport services”; and sector 12 “others”.
11. As shown later, this method is being questioned by the member countries that have offensive interests and that seek to pressure the countries to assume commitments to liberalize services.
12. These countries, along with the others that joined the WTO after it was created, are informally obliged to assume much more stringent liberalization commitments as some of the conditions for their accession (Verger, 2005).
13. The sectors included in the GATS are (1) services to firms; (2) communications; (3) construction and engineering; (4) distribution; (5) educational services; (6) environmental services; (7) financial services; (8) health services; (9) tourism and travel services; (10) leisure, culture and sports services; (11) transport services; and (12) others.
14. The 2001 ministerial meeting in Doha (Qatar) launched a new round of negotiations known as the Doha Development Round. This was supposed to end in 2005 but is still ongoing, largely because of the difficulty of reaching agreement on agriculture.
15. According to article XIX, paragraph 1 of the GATS, the members should have started a new round of negotiations in 2000, the so-called GATS2000. Those negotiations are continuing and, in 2001, GATS2000 was incorporated into the Doha Round ([http://www.wto.org/spanish/tratop\\_s/serv\\_s/s\\_negs\\_s.htm](http://www.wto.org/spanish/tratop_s/serv_s/s_negs_s.htm)).
16. The European Commission proposed three key changes: (1) to include quantitative benchmarks obliging the countries to present a specific number of new or improved commitments; (2) to include qualitative benchmarks stipulating which negotiations should be eliminated, applying to sectoral or horizontal commitments; (3) to introduce the plurilateral offer-request method, breaking the bilateral pattern so that countries with offensive interests in the same sector could work together and make joint requests to a set of target members (UE in Verger, 2006a).
17. As mentioned earlier, we use the term “asymmetrical agreements” to refer to those arising from negotiations between developed countries and developing countries in which there is a marked inequality in terms of technical and negotiating capacity.
18. Interview with an FTAA negotiator in the Foreign Ministry.
19. Both negotiations included nontrade matters. Two issues were included in the talks with the EU: consolidation of democracy and fostering technical cooperation, which took shape (and continue to do so) through the transfer of funds to Mercosur. In the case of the United States, the political and social agendas were expressed in the Summit of the Americas, where the countries

- discussed democracy and corruption, education, poverty, labor, and other issues, but without the allocation of new resources and using the existing structure of the Organization of American States (OAS).
20. The United States and Canada, by contrast, wanted to include a broader definition of investments in the FTAA so as to protect not only services-related foreign investment but all capital movements (interview with a negotiator from the Economy Ministry).
  21. The negotiations between Mercosur and the EU acknowledge their origin in the framework interregional cooperation agreement between the Mercosur and its member states, on the one hand, and the EU and its member states on the other (henceforth, the framework agreement). This was signed in Madrid on 15 December 1995.
  22. As mentioned, Mercosur made no offers in the FTAA. In the WTO, there was no commitment except in mode 3 in some health subsectors, reflecting acknowledgment of the unilateral opening preceding the Uruguay Round commitments. In the last offer presented to the EU, there was no commitment on education with the exception of Paraguay in mode 3 and, in health, some commitments in modes 2 and 3 on the part of Paraguay and Uruguay ([www.wto.org](http://www.wto.org); [www.mrecic.gov.ar](http://www.mrecic.gov.ar)).
  23. Mandate of article XIX of the Montevideo Protocol; CMC Decision 13/97.
  24. Mercosur can thus be characterized as a WTO-plus agreement (article XXIV of the GATT and article V of the GATS).
  25. Source: interview with an Argentine Foreign Ministry official on 16 March 2005.
  26. Source: interview with an Argentine Foreign Ministry official on 7 March 2005.
  27. All these organizations were created under the Higher Education Law of 1995 (24,521) and were set up with World Bank loans.
  28. Decree 990/91 established the University Coordination Commission (comprising the Education Ministry and the Economy Ministry, rectors, and the Civil Service Secretariat) to guide the administrative rationalization. But there was no reduction and, moreover, it coincided with an increase in the central bureaucracy for instance, the SPU).
  29. [www.crup.org.ar](http://www.crup.org.ar).
  30. [www.cin.edu.ar](http://www.cin.edu.ar).
  31. "Professional Qualifications in Globalization, Accreditation of Courses," CPAU, Buenos Aires, 2004.
  32. The event entitled "Professional Qualifications in Globalization" included discussions of such issues as professional qualifications in Mercosur, export of service professionals, accreditation of university courses, and mutual recognition of qualifications. Participants included officials of various government agencies, including the Foreign Ministry, the Education Ministry, and the National Commission on University Evaluation and Accreditation (CONEAU).
  33. [www.comra.health.org.ar](http://www.comra.health.org.ar).
  34. In the Foreign Ministry's current organizational chart, services negotiations are divided into two departments: the directorate of multilateral negotiations, which is responsible for the WTO negotiations; and the Mercosur directorate, which is devoted to negotiations within Mercosur and with the EU. [www.mrecic.gov.ar](http://www.mrecic.gov.ar).
  35. The public decentralized organizations include the CONEAU, ANMAT, and the provincial governments.
  36. In the Education Ministry, the office of trade negotiations is responsible for these issues. It operates within the higher education directorate and is

linked to the Foreign Ministry's trade negotiations directorate. But this is only one of the four issues or agendas that the Economy Ministry shares with the Foreign Ministry. The others are bilateral cooperation (responsible for cultural affairs in the Foreign Ministry); international cooperation (responsible for cooperation in the Foreign Ministry); Mercosur, which falls under the responsibility of the Foreign Ministry's political coordination forum—every six months and before the presidential summits, this issues a report; and issues related to UNESCO and international fora (the responsibility of the Foreign Ministry's directorate of international organizations). In the Health Ministry, the agenda of negotiations shared with the Foreign Ministry is complex and diverse, covering issues such as intellectual property and medicines, control of epidemics, and quality of health services.

37. Since it did not agree with the inclusion of education in the GATS, in effect the Education Ministry excluded itself from the multilateral negotiations (interview with an official of the Argentine Education Ministry).
38. In this respect, the main issues in the debate are recognition of medical training, analysis of the preagreements on movement within the member countries of the CIMS and the creation of the Confederation of Mercosur Medical Institutions. [www.comra.health.org.ar/medicoshoymarzo/06\\_cims.htm](http://www.comra.health.org.ar/medicoshoymarzo/06_cims.htm). Accessed on 22 June 2006.
39. This is the case, for example, of the Latin American Pediatric Association (ALAPE), the Latin American Thorax Association (ALAT), the Mercosur Meetings on Intensive Therapy, the Mercosur Symposia on Medicine and Surgery, the Mercosur Federation of Cancer Research Centers, and several others.
40. Source: interviews with the director of postgraduate medicine on 13 May 2005 and the director of the Clinics Association on 20 May 2005.
41. The counterproposal to Annex C, which Argentina made together with the ASEAN countries (excluding Singapore), South Africa, Venezuela, the Philippines, Kenya, Cuba, and the G90, was as follows: "a) that the language on specific objectives in Annex C should be less prescriptive since it would give rise to greater pressure on them; b) that the economic needs tests should not be eliminated; c) that there should be balance between the treatment of mode 4 and the other modes; d) that there should be no measures related to public provision since only the EU has met requirements in this respect; e) that the countries may feel free to respond to requests; f) finally, as regards the timelines suggested in Annex C, because of the slowness of the negotiations in other areas, it would be unbalanced if services were to be subject to a specific deadline" (Verger, 2005).
42. Docs. GATS/EL/4, GATS/SC/4, GATS/SC/4 S1, GATS/SC/4 S1 Rev. 1 (at [www.wto.org](http://www.wto.org)).
43. Docs. TN/SO/ARG and S/DCS/W/ARG ([www.wto.org](http://www.wto.org)).
44. Source: interviews with ISALUD's director of postgraduate medicine on 13 May 2005 and the director of the Clinics Association on 20 May 2005.
45. Most of the population are members of a union health care subsystem or use the services of the public health system because of a lack of resources to pay for prepayment medicine (Tobar, 2001).
46. Interview with an Argentine Foreign Ministry official in March 2006.
47. The country's legal framework states that it is prohibited to insure abroad any persons, goods, or insurable interests of national jurisdiction. It says: "Argentine insurance companies shall exclusively cover all persons, goods, things, furniture and property, animals for responsibility or damage against which insurance is sought that are dependencies of, property of and/or

- used by the nation, the provinces, the municipalities, self-sufficient entities, physical persons or legal entities that exploit concessions, licenses or have franchises, exemptions or privileges of any kind by virtue of the laws or provisions of authorities of the nation, provinces or municipalities.”
48. This program sought to implement the action plan (2001–2005) devised by the ministers and the committees of the meetings of education ministers, whose work program was reduced to the accreditation of courses, recognition of qualifications and interinstitutional cooperation.
  49. Interview with an Argentine Foreign Ministry official in March 2005.
  50. Interviews with representatives of the AMA, FEA, and COMRA.
  51. The income associated with these services that enters the country (remitances) has a positive effect on the trade balance and the fiscal balance (increase in the tax take).

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# Index

## A

- ABAG *see* Brazilian Agribusiness Association
- ABIEC *see* Brazilian Association of Meat Exporting Industries
- academia 2, 45, 81, 82, 160; in Argentinian services negotiations 175–209; in CET discussions 162–6;
- influence on Mercosur's tariff policy 143–73; links with government/decision makers 4, 72, 92–3, 126, 135, 156–8; output 145; role 2, 4, 6, 7, 28, 41–7, 81–101, 175–204
- academic networks 15, 204
- academic research 73, 74, 100
- access; preferential 160; to decision makers 74; to information/knowledge 11, 14, 75, 205;
- to markets 13, 34, 54, 114, 115, 135, 177, 178, 204; to research 69
- accountability 87, 121, 205
- accreditation 192, 193, 196, 199, 207n., 209n.
- adjoining room 53; *see also* side room
- adjustment loans 24
- Advisory Council on the Free Trade Agreement 87
- Agreement for the Countryside 95
- Agricultural Secretariat (SARH) 64, 91
- agriculture 13, 31, 53, 95, 102n., 114, 129, 146, 173n., 186, 204
- aid 5
- ALAPE *see* Latin American Pediatric Association
- Alfonsín, Raúl 146, 153; agreement with Sarney 156
- alliances 25, 36, 88
- AMA *see* Argentine Medical Association
- Amorío, Carlos 136n.
- Andean Community 31, 112, 113, 184
- Andean Development Corporation (CAF) 29
- ANIERM *see* National Association of Importers and Exporters
- antidumping measures 114, 115
- arbitration 98
- Argentina; academia in 175–209; civil society 63; commitments 201–2; democratization 60; development models 52; economic context 52–3, 70, 146–8; energy crisis 30; external negotiations 77; health and education services in 175–209; knowledge use in 73–4; liberalization 70, 146, 147, 175–209; links with Brazil 12, 143–71; negotiations in Mercosur 185, 200–3; political context 52–3, 70, 146–8; protectionism 70; research in 62–5, 71, 72, 146–60; structural reforms 61, 147; technical specialists in 64; think tanks in 60–5, 146; trade opening 52, 70, 63, 75, 146; World Bank/WTO intervention in 52
- Argentine Center for Macroeconomic Studies (CEMA) 61, 146, 152
- Argentine Chamber of Medical Welfare Institutions 189
- Argentine Chamber of Petrochemicals and Related Products 155
- Argentine Chamber of the Oil Products Industry (CIARA) 63
- Argentine Council of International Relations (CARI) 192

- Argentine Medical Association (AMA) 193
- Argentine Nursing Federation (FAE) 193, 197
- Argentine Union of Educational Workers (CTERA) 190
- Armengol, Eugenia Crespo 154
- ASEXMA *see* Association of Manufactures Exporters
- Associate Economists Group (GEA) 98, 104n.
- Association of Manufactures Exporters (ASEXMA) 51
- Association of Prepayment Medicine Agencies 189
- Association of Vehicle Manufacturers (ANFAVEA) 167
- Astori, Danilo 119
- Asunción Treaty 12, 143, 144, 149, 160, 170, 171, 172n.
- asymmetrical agreements 175, 206n.
- asymmetrical negotiations 9, 183–6, 200
- attribution problems 7
- Austral Plan 146
- autarkic model 25, 161
- Autonomous National University of Mexico 93
- Autonomous Technological Institute of Mexico (ITAM) 92, 94, 97, 102n., 103n., 104n.
- Autonomous University of Mexico 102n.
- asymmetrical accords 185
- B**
- Balzarotti, Nora 156
- Bank of Mexico 103n.
- Battle, Jorge 109, 112
- benchmarks 206n.
- Berlinski, Julio 154, 157, 172n.
- Berthet, Miguel 119
- bilateral agreements 30, 51, 89, 170
- bilateral cooperation 208n.
- bilateral trade agreements 22
- biregional negotiating committees (BNCs) 186
- biregional negotiations 200
- BNDES, *see* National Bank for Economic and Social Development
- BNHI *see* Business Network for Hemispheric Integration
- Bolivia 30, 36, 38n., 76, 77, 78, 112, 113
- Bologna University 191
- Brazil; consultants in 72; diversification of energy supplies 30; economic context 53–4, 70; energy crisis 30; exchange rates 161; external negotiations 77; knowledge use in 73–4; liberalization 53–4, 161, 163, 166, 168, 200; links with Argentina 12, 143–71; political context 53–4, 70; protectionism 203; public-private linkage 69; recession 161; regional integration 162; relations with Mercosur 54; research in 66–70, 161–71; think tanks 65–70, 72; trade opening in 53, 70, 75, 162; training in 68
- Brazilian Agribusiness Association (ABAG) 68
- Brazilian Association of Meat Exporting Industries (ABIEC) 68
- Brazilian Association of Pork Producers and Exporters (ABIPECS) 68
- Brazilian Association of the Chemicals Industry (ABIQUIM) 167
- Brazilian Association of the Machinery and Equipment Industry (ABI-MAQ) 167
- Brazilian Institute of Geography and Statistics (IBGE) 67
- Brazilian Iron and Steel Institute (IBS) 167
- bridging research and policy 4
- Bruno, Carlos 172n.
- Buenos Aires Act 171n.
- bureaucratic capacity 108
- Bush, George H. W. 149
- business associations 28, 31, 57, 63, 88, 97, 129–31, 188
- business chambers 129–31, 204
- Business Coordinating Council (CCE) 87
- Business Inter-Chamber Committee 137n.
- Business Network for Hemispheric Integration (BNHI) 25, 26
- C**
- Cadernos 66
- CAF *see* Andean Development Corporation
- CAIXA *see* Federal Economic Savings Institution
- CAMEX *see* Chamber of External Trade

- CANACINTRA *see* National Confederation of the Processing Industry
- Canada 56, 76, 87, 88, 92, 94, 96, 97, 101, 104n., 106n., 200, 207n.
- Canitrot, Adolfo 149
- capital goods 148, 153, 167, 169, 170
- Cardoso, Fernando Henrique 54
- CARI *see* Argentine Council of International Relations
- Castillo, Carlos Pérez del 124, 125
- Castro, Sergio de 79n.
- Catholic University 59
- CCE *see* Business Coordinating Council
- CEAM *see* Center for Advanced Multidisciplinary Studies
- CEDRSSA *see* Study Center for Sustainable Development and Food Sovereignty
- CEI *see* Center for International Economics
- CEMA *see* Argentine Center for Macroeconomic Studies
- CEMAI *see* Mexican Business Council for International Affairs
- CEMEX 97, 103n.
- CENIT *see* Studies Center for Technological Innovation
- Center for Advanced Multidisciplinary Studies (CEAM) 66
- Center for Cereals Exporters 63
- Center for Economic Research (CINVEA) 128
- Center for Economic Research and Teaching (CIDE) 92, 104n.
- Center for Integration and Development Studies (CINDES) 66
- Center for International Economics (CEI) 61, 64, 153, 155, 159, 172n.
- Center for Research on North America (CISAN) 93
- Center for Studies of Production (CEP) 61, 62, 64
- Center of Applied Economics and Public Policies 94
- Central American Integration System (SICA) 136n.
- CEP *see* Center for Studies of Production
- CET *see* common external tariff
- Chamber of External Trade (CAMEX) 54
- chambers of business 57, 137n.
- chambers of commerce 25, 53, 54, 69, 87
- Chapingo Autonomous University 93
- Chile 30, 36, 51, 55, 57, 58, 71, 73, 75, 76, 170; accord with U.S. 185; economic context 50–2, 70; inflation 50, 70; political context 50–2, 70; structural reforms 50; think tanks in 55–60; trade opening in 50–2, 70, 75
- China 37, 101, 124
- Chudnovsky, Daniel 172n.
- CIARA *see* Argentine Chamber of the Oil Products Industry
- CIDAC *see* Development Research Center
- CIDAC-Zogby survey 104n.
- CIN *see* National Inter-University Council
- CINDES *see* Center for Integration and Development Studies
- CINVE *see* Center for Economic Research
- CISAN *see* Center for Research on North America
- CISEA *see* State and Administration Research Center
- Civil Service Secretariat 104n.
- civil society 58, 63, 87, 88, 121, 129
- Civil Society Consultative Council 41, 53
- CLASCO *see* Latin American Council of Social Sciences
- climate change 14
- CMHN *see* Mexican Council of Businessmen
- CMPP *see* Mercantile Chamber of National Products
- CNI *see* National Chamber of Industry
- CNIME *see* National Council of the Maquiladora Export Industry
- CNPq *see* National Council of Scientific and Technological Development
- Coalition of the Services Industries 205n.
- COECE *see* Coordinator of Foreign Trade Business Organizations
- cognitive reflexivity 37
- Cold War 48
- COLEF *see* College of the Northern Border
- College of Mexico (COLMEX) 92, 93, 102n., 103n.
- College of the Northern Border (COLEF) 93, 102n.
- COLMEX *see* College of Mexico

- Colombia 36, 76, 77, 78, 113, 185, 194  
 COMCE *see* Mexican Council on Foreign Trade, Investment, and Technology  
 Comisec 121  
 commitments 5, 9, 31, 33, 50, 81, 91, 92, 96, 101n., 144, 160, 178–82, 201–2, 207n.  
 common external tariff (CET) 12, 144, 146–71  
 Common External Tariff Support and Monitoring Group (GAEC) 153, 154, 158, 160, 172n.  
 Common Market Council (CMC) 197  
 Common Market Group (CMG) 154, 169, 172n.  
 common markets 143, 148, 149  
 communication 55, 160; by think tanks 48; of knowledge 55, 71–2, 74, 135; of research findings 59–60, 64, 69, 99  
 communities of beliefs 28  
 competitive knowledge 134  
 competitiveness 86, 91, 95, 97, 101, 108, 111, 130, 136n., 147, 149, 164, 192, 204  
 complementary contributions 188  
 computable general equilibrium 64, 128  
 COMRA *see* Medical Confederation of Argentina  
 CONACEX *see* National Export Council  
 CONACYT *see* National Council on Science and Technology  
 CONARE *see* National Council of Rectors  
 CONCAMIN *see* National Confederation of Chambers of Industry  
 CONCANACO *see* Confederation of Chambers of Commerce  
 concessions 34, 54, 111, 168, 172n., 179, 209n.  
 conditionality 24, 101n.  
 conditional opening 54  
 CONEAU *see* National Commission on University Evaluation and Accreditation  
 Confederation of Chambers of Commerce (CONCANACO) 87  
 Confederation of Mercosur Medical Institutions 208n.  
 Confederation of Mexican Workers (CTM) 84  
 CONFEMECO *see* Federal Council of Collegial Medical Entities  
 congresses 45–6  
 CONJCYT *see* National Commission for Scientific and Technological Research  
 consultancies 57, 60, 64, 81, 95, 98, 100, 103n., 104n.  
 consultants 11, 38n., 43, 66, 67, 69, 72, 82, 92, 97, 98, 104n., 148, 157, 164, 165  
 consultation 35, 36, 69, 87, 121, 129, 166–8, 193, 196  
 consumption of services abroad 177, 201  
 Continental Social Alliance 88  
 convertibility 153, 159, 172n., 193  
 Convertibility Law 147  
 coordination 117, 118, 125, 133, 205  
 Coordinator of Foreign Trade Business Organizations (COECE) 87, 88, 97, 102n.  
 Córdoba Chamber of Cereals 63  
 corruption 104n., 207n.  
 Council for Trade in Services 179  
 Council of Private University Rectors (CRUP) 190, 191, 196  
 CPAU *see* Professional Council of Architecture and Town Planning  
 creative ambiguity 33  
 crises 5, 22, 24, 30  
 Cristini, Marcela 156  
 CROC *see* Revolutionary Confederation of Workers and Peasants  
 cross-border consumption 177, 201  
 cross-border supply 177, 201  
 CRUP *see* Council of Private University Rectors  
 CTERA *see* Argentine Union of Educational Workers  
 CTM *see* Confederation of Mexican Workers  
 currency depreciation 24  
 Customs Policy Commission 164  
 customs union 12, 24, 77, 101, 124, 143, 144, 146, 149, 160, 170, 173n.  
 CUT *see* Single Workers Central
- D**  
 debt 5, 24, 70, 83  
 decentralization 204  
 decisionism 42  
 decision makers; access to 74; ambiguous distinction from specialists

- 2; communication with 1, 64, 69; in rationalist model 4; links with academia/researchers 4, 72, 126, 156–8; roles 15
- decision making; and ideas 82; and knowledge 1–16, 124–6, 132, 134; based on overall vision 133; democratization of 42–4, 75; effects of lack of coordination 65, 125; evidence based 110; ideas and 82; in conditions of uncertainty 26, 27; links with learning 11; research and 11, 55, 73, 158–60; role of social engineering in 4; social participation in 134; transparency in 44
- defensive-protectionist position 198
- democracy 5, 10, 23, 48, 55, 82, 84, 88, 206n., 207n.
- democratization 42–6; expert knowledge and 42–4; in Argentina 60; in Mexico 84, in Mexico 87; of decision making 42–4, 75; promotion of knowledge for xvi; research and 11, 55, 100
- Department for International Development (DFID) 1
- deregulation 8, 30, 146, 193, 204
- developed countries 181, 182; import substitution policies 23; research in 3, 21
- developing countries; research in 3, 21; spread of economic ideas in 27; training in 31–3
- development policies 32
- Development Research Center (CIDAC) 98
- Development Research Center (DRC) 67
- development; model 5, 14, 16n., 52; relationship with growth 95; search for effective pattern 35
- developmentalist policies 53
- DFID *see* Department for International Development
- Di Tella University 152, 154
- diplomacy 29, 36, 44, 46
- DIRECON *see* Foreign Trade Directorate
- Directorate of International Affairs 196
- dispute settlement mechanisms 96
- distance learning 177
- distribution; electorate's demands for 10; impact of liberalization on 14; of global income 22; distributionist demands 6
- distributive struggles 9
- diversification 21, 100
- Doha Round 31, 54, 181, 198, 199, 206n.
- domestic promotion measures 8
- domestic research 90–8
- DRC *see* Development Research Center
- E**
- ECLA *see* Economic Commission for Latin America
- ECLAC *see* Economic Commission for Latin America and the Caribbean
- Economic Commission for Latin America (ECLA) 6
- Economic Commission for Latin America and the Caribbean (ECLAC) 149
- economic context 50, 70; Argentina 52–3, 70, 146–8; Brazil 53–4, 70; Chile 50–2, 70
- Economic Integration and Cooperation Program (PICE) 61, 143, 144, 147, 148, 149, 153, 169, 171n.
- Economy Secretariat (SE) 85
- Ecuador; energy integration and 30; expulsion of Occidental Petroleum 30; renegotiation in 36
- education 95, 175–209; guaranteed 189, 191
- EFTA *see* European Free Trade Association
- EGADE *see* Graduate School of Business Administration and Leadership
- EGDI *see* Expert Group on Development Issues
- embedding research and policy approach 4
- employment 96, 147, 159, 160, 206n.
- endogenization 36
- energy integration 30–1
- Enterprise Initiative for the Americas 149
- entrepreneurs 59, 66, 87, 88, 100, 108, 131, 193
- Environmental Cooperation Commission 98
- epistemic communities 6, 27, 28, 34, 37–8, 45–6
- Espinosa, Augustin 118, 123
- European Coal and Steel Community (ECSC) 148

European Free Trade Association (EFTA) 136n.  
 European studies program 103n.  
 European Union 26, 53, 84, 109, 183–6, 190; agreement with Mexico 85, 88, 96, 99, 102n.; and GATS negotiation 199; negotiations with Mercosur 54, 69, 114, 176, 200  
 evidence-based policy 110  
*ex ante*lex *post* measurement 7, 68, 71  
 exchange rates 24, 161, 203  
 Experimental Accreditation Mechanism (MEXA) 202  
 Expert Group on Development Issues (EGDI) 1  
 expertise 37, 42–4, 166–68  
 experts 2, 3, 6, 7, 72, 81, 82  
 exports 59, 74, 95, 102n., 104n., 110, 111 114  
 Extra-Mercosur Adaptation Regime 170

**F**

FAE *see* Argentine Nursing Federation  
 FAO *see* Food and Agriculture Organization  
 FDI *see* foreign domestic investment  
 Federal Council of Collegial Medical Entities (CONFEMECO) 193  
 Federal Economic Savings Institution (CAIXA) 67  
 Federal Institute of Access to Information 103n.  
 Federal Law on Transparency and Access to Public Government Information 91  
 Federation of Business Centers for Cereal Grain Brokers 63  
 Federation of Industries of Rio de Janeiro (FIRJAN) 167  
 Federation of Industries of São Paulo (FIESP) 54, 66, 68, 167  
 FEMSA 103n.  
 Fénix 190  
 FIEL *see* Foundation for Latin American Economic Research  
 FIESP *see* Federation of Industries of São Paulo  
 fiscal balance 209n.  
 fixed-preference accords 24  
 FLACSO *see* Latin American Faculty of Social Sciences xv, 17n., 62, 79n., 104n., 152, 153

FOMEC *see* Fund for the Improvement of University Quality  
 FONPLATA *see* Financial Fund for the Development of the River Plate Basin  
 Food and Agriculture Organization (FAO) 93  
 Foreign Relations Secretariat (SRE) 85  
 Foreign Trade Directorate (DIRECON) 51, 56, 116  
 Foreign Trade Studies Center Foundation (FUNCEX) 66, 68, 165  
 Foundation for Latin American Economic Research (FIEL) 61, 62, 146, 150, 152, 153, 156  
 Fox, Vicente 86, 89  
 free trade agreements (FTA) 26, 97, 184–5  
 Free Trade Area of the Americas (FTAA) 25, 26, 54, 168, 176, 183–6, 195, 200, 205, 206n.  
 free trade areas 9, 24, 112, 147, 149, 159  
 Frente Amplio 119  
 Friedrich Ebert Foundation (FESUR) 128–9  
 Fritsh, Winston 79n.  
 FTAA *see* Free Trade Area of the Americas  
 FUNCEX *see* Foreign Trade Studies Center Foundation 66  
 Fund for the Improvement of University Quality (FOMEC) 188

**G**

GAEC *see* Common External Tariff Support and Monitoring Group  
 GAMESA 103n.  
 Gargano, Reynaldo 119  
 Garigga, Marcelo 155  
 GATT, *see* General Agreement on Tariffs and Trade  
 GDN *see* Global Development Network  
 GEA *see* Associate Economists Group  
 General Agreement on Tariffs and Trade (GATT) 83, 85, 87, 90, 91–2, 97, 98, 99, 101n.  
 General Agreement on Trade in Services (GATS) 175, 177–8, 180–2, 185, 196, 199–200, 203, 206n.  
 General Directorate for Integration and Mercosur Issues 136n.  
 General Directorate for International Economic Affairs 136n.

- General Directorate of Foreign Trade Studies 90  
 general equilibrium models 92  
 Generalized System of Preferences 172n.  
 Getulio Vargas Foundation 66, 68, 69  
 Global Development Network (GDN) 1, 79n.  
 globalization 2, 12, 14, 24, 37, 65, 109, 144  
 global knowledge institutions 6  
 Glossary of Common Terms in Mercosur Health Services 203  
 Goldin, Pablo 62  
 Gomes, Ciro 79n.  
 governance 41–7  
 government 34, 55, 71, 81, 84–9, 92–3, 114, 183  
 Graduate School of Business Administration and Leadership (EGADE) 103n.  
 ‘Group of 20’ 36  
 Guadagni, Alieto 62  
 guaranteed education 189, 191  
 guarantor view; of education 190, 191, 192; of health 194
- H**  
 Harberger, Arnold 79n.  
 harmonization 36  
 health insurance 183, 201, 203  
 health services 175–209, 206n.  
 health subsystems 188  
 hemispheric negotiations 200  
 Higher Business Council (CONSUPEM) 137n.  
 Hong Kong conference 183  
 horizontal commitments 179, 201  
 hospital decentralization 189  
 HRSA *see* Initiative for the Integration of Regional Infrastructure in South America  
 human resources 204  
 human rights 88, 89
- I**  
 IADB, *see* Inter-American Development Bank  
 IBGE *see* Brazilian Institute of Geography and Statistics  
 ICONE *see* Institute for Trade and International Negotiations Studies  
 IDB *see* Inter-American Development Bank  
 IDE *see* Institute of Developing Economies  
 ideologues 45  
 ideas; as “hooks” 28; construction of 28–33; decision making and 82; role in economic sphere 23, 27–8; technical assistance and 33  
 IDRC, *see* International Development Research Centre  
 IEIP *see* International Economic Institutions Program  
 IIERAL *see* Mediterranean Foundation 61  
 IMF *see* International Monetary Fund  
 impact studies 14, 36, 59, 64, 67, 68, 71, 73, 151, 205  
 import bans 172n.  
 import liberalization 161  
 import policies 163  
 import substitution 23, 25, 162  
 INAI *see* Institute of International Agricultural Negotiations  
 incentives 37, 101n., 133  
 income distribution 59  
 incrementalist model 3, 4, 16n.  
 Industrial Promotion Society (SOFOFA) 51, 57  
 inequality 22, 94  
 inflation 50, 70, 163, 163  
 informal contacts 91  
 information; access to 11, 14, 75, 205; distinguished from knowledge 135n.–136n.; in Uruguay 131; management 112; production 109, 127–31  
 information system 121, 132, 135  
 information technology 4, 170, 197  
 infrastructure 29–30, 95, 172n.  
 Initiative for the Integration of Regional Infrastructure in South America (HRSA) 29  
 Institute for the Integration of Latin America and the Caribbean (INTAL) xvii, 17n.  
 Institute for Trade and International Negotiations Studies (ICONE) 68  
 Institute of Applied Economic Research (IPEA) 66, 67, 165  
 Institute of Developing Economies (IDE) 67  
 Institute of International Agricultural Negotiations (INAI) 63

Institute of Legal Research (UNAM)  
 93, 103n.  
 institutional capacity 108, 109–12  
 institutional memory 32, 65, 120  
 institutional power 28  
 Institutional Revolutionary Party (PRI)  
 86  
 institutional transparency 138n.  
 institutional weaknesses 112–27  
 INTAL *see* Institute for the Integration  
 of Latin America and the Carib-  
 bean  
 intellectual capital 134  
 intellectual elites 27  
 intellectual property 31, 92, 108, 111,  
 114, 183  
 Inter-American Development Bank  
 (IDB) xvii, 29, 61, 62, 67, 71,  
 93, 164, 169  
 Interdisciplinary Center of Develop-  
 ment Studies (CIEDUR) 128–9  
 interministerial coordination 111–12,  
 133, 205  
 Interministerial Council on Foreign  
 Trade 117  
 interministerial dialogue 195  
 International Affairs Unit 117  
 international cooperation funds 62  
 International Development Research  
 Centre (IDRC) xvi, 1, 17n.  
 International Economic Institutions  
 Program (IEIP) 17n.  
 International Forum on the Social  
 Science-Policy Nexus 7  
 international insertion strategy 112–15  
 International Monetary Fund 5, 23, 83,  
 91, 101n., 172n.  
 international organizations; concern  
 with macroeconomic matters  
 151; funding of research 3, 34,  
 56, 61, 71; influence of 23; pres-  
 sure for liberalization of services  
 187; pressure to adopt neoliber-  
 alism 5; use of research 3  
 International Studies Center of the  
 Torcuato Di Tella University  
 (UTDT) 62  
 international trade theory 128  
 intrabloc tariffs 170  
 isolation 166  
 ITAM *see* Autonomous Technological  
 Institute of Mexico  
 Itamaraty 29, 54, 65, 66, 69, 70, , 74,  
 79n.

## J

Japan 89, 103n., 136n.  
 juridical studies 96

## K

KDI *see* Korean Development Institute  
 knowledge; access to 11, 14, 75, 205;  
 as democratizing factor xvi;  
 as lobbying instrument 14;  
 communication of 55, 71–2, 74,  
 135; competitive 134; decision  
 making and 1–16, 81, 124–6,  
 132, 134; distinguished from  
 information 135n.–136n.; expert  
 2, 42–4; fallible 37; impact on  
 policy 1–16, 32, 132–3; inde-  
 pendence from governments  
 43; links with power 42; local  
 1, 3; management of 108–38;  
 production 13, 28, 69, 71, 72,  
 74, 127–31; networks 6, 13;  
 reflexive organization of 38; role  
 7, 82, 120–1; specialist 109–12;  
 tacit 110; technical 3, 11, 42, 43;  
 use of 16n., 55, 73–4, 132–3  
 Korean Development Institute (KDI) 67  
 Kume, Honorio 158, 163, 165, 169

## L

labor 152  
 labor confederations 87  
 Lacalle, Luis 112  
 Lagos, Ricardo 56  
 LAIA *see* Latin American Integration  
 Association  
 Las Leñas 169  
 Latin American Center on Human  
 Economy (CLAEH) 128–9  
 Latin American Council of Social Sci-  
 ences (CLASCO) 190  
 Latin American Energy Organization  
 (OLADE) 30  
 Latin American Faculty of Social Sci-  
 ences (FLACSO) xv, 17n.  
 Latin American Integration Association  
 (LAIA) 17n., 53, 104n., 112,  
 120, 124, 129  
 Latin American Observatory of Educa-  
 tion Policies (OLPED) 190  
 Latin American Pediatric Association  
 (ALAPE) 208n.  
 learning 11, 21, 35, 42, 59, 73  
 liberalization; and accession to WTO  
 206n.; authoritarian regimes

- and 5; commitments 9; debates about 36; impact on poverty 14; in Argentina 70, 146, 147, 175–209; in Brazil 53–4, 161, 163, 166, 168, 200; in Chile 51, 55; in GATS negotiations 203; in Mexico 83, 90, 104n.; involvement of networks in 5; of education 91, 186; of services 175–209
- Liboreiro, Ernesto 63
- Lifschitz, Edgardo 154
- List of Common Medical Specialties in Mercosur 203
- living standards 95
- loans 5, 24
- lobbying 6, 70, 163
- local knowledge 1, 3
- lock-in effect 8, 187
- Los Piños 99, 105n.
- M**
- macroeconomic equilibrium 59
- macroeconomic impact studies 59, 67
- maquiladoras 95
- Margariños, Gustavo 119
- market access 114, 115
- market profiles 124
- market view of education 190, 191, 192
- market view of health 194
- Marrakesh agreements 205n.
- media 69, 74, 79n., 96, 131
- Medical Confederation of Argentina (COMRA) 193, 197
- Medical Confederation of Latin America and the Caribbean (CONFEMEL) 197
- Mediterranean Foundation (IIERAL) 61, 146
- Meetings of Ministers of Education (RME) 197
- Meetings of Ministers of Health (RMS) 197
- Mello, Fernando Collor de 53, 70, 79n., 143, 161, 163
- Menem, Carlos 52, 65, 143, 147, 172n.
- Mercantile Chamber of National Products (CMPP) 117, 130
- Mercosur; Argentina negotiations in 185, 200–3; commissioning of impact studies 64; decision to build common market 149; difficulties of coordinating work with 11; link between academics and negotiators in 41–7; negotiations with EU 54, 69, 114, 176, 200; political value 162; role of academia in 45; services negotiations 186–7, 200–3; slow progress in negotiations 202; support for member countries 30; tariff policy 143–73; trade agreements 113
- Mercosur Doctors Integration Commission (CIMS) 197, 208n.
- Mercosur Federation of Cancer Research Centers 208n.
- Mercosur Meetings on Intensive Therapy 208n.
- Mercosur Research Network 128
- Mercosur Symposia on Medicine and Surgery 208n.
- Merton, Robert 137n.
- meta-theory 133
- methodology xvii, 7, 8, 14, 61, 64, 71, 151, 176
- Metropolitan Autonomous University 93, 104n.
- Mexican Business Council for International Affairs (CEMAI) 87
- Mexican Council of Businessmen (CMHN) 87
- Mexican Council on Foreign Trade, Investment, and Technology (COMCE) 88, 97, 102n.
- Mexican crisis 22
- Mexican Free Trade Action Network (RMLAC) 88
- Mexican Telephonists' Union 89
- Mexico 81–107; accession to NAFTA 11, 12, 83, 84, 87–100, 102n., 105n., 169, 183; admission to GATT 85, 87, 90, 91–2, 97–9, 101n.; agreement with Japan 89; businesspeople in 89; civil society in 87, 88; cooperation with EU 85; democratization in 84, 87; disputes with US 86; divided government in 84, 86; exports 102n., 104n.; gross domestic product 102n.; imports 102n., 104n.; interagency disputes in 85; investment opening in 82; liberalization in 83, 90, 104n.; nationalization of the banks 83; Plan Puebla-Panama 29; possibility of US customs union 101; private sector in 87,

- 89, 90; 89; protectionism in 90; research on role of knowledge in 82; role of president 84; subnational governments in 86; trade opening in 82–4, 95, 100  
 migration policies 183  
 Millennium Round 63  
 models of CET 148–50  
 modes of supply 177, 180, 201  
 Monterrey Technological Institute (TEC) 94, 97, 102n., 103n.  
 Montevideo Protocol 186, 187, 196, 207n.  
 movement of persons 203–4  
 multinational companies 190  
 multinational teams 92  
 Muró, Lacarre 123
- N**
- NAFTA *see* North American Free Trade Agreement  
 NAMA *see* nonagricultural market access  
 National Action Party (PAN) 86  
 National Agency for Scientific and Technological Development 188  
 National Agricultural Society 57  
 National Association of Importers and Exporters (ANIERM) 87, 97  
 National Bank for Economic and Social Development (BNDES) 67  
 National Bank of Foreign Trade 90  
 National Chamber of Commerce and Services 117  
 National Chamber of Consultancy Companies 98  
 National Chamber of Industry (CNI) 54, 66, 167  
 National Commission for Scientific and Technological Research (CONJ-CYT) 55–6  
 National Commission on University Evaluation and Accreditation (CONEAU) 188, 207n.  
 National Confederation of Chambers of Industry (CONCAMIN) 87  
 National Confederation of Industry (CNI) 166  
 National Confederation of the Processing Industry (CANACINTRA) 87  
 National Council of Economists 103n.  
 National Council of Rectors (CON-ARE) 67  
 National Council of Scientific and Technological Development (CNPq) 66, 67  
 National Council of the Maquiladora Export Industry (CNIME) 88  
 National Council on Science and Technology (CONACYT) 93, 103n.  
 National Directorate on Tariff Policy 152  
 National Export Council (CONACEX) 87  
 National Institute of Statistics, Geography and Information Technology 91  
 National Inter-University Council (CIN) 190, 191, 196  
 National Polytechnical Institute 102n.  
 National System of Researchers 103n.  
 national treatment 177, 178  
 National Universities Association 102n.  
 National Workers' Union (UNT) 89  
 negotiating cycle 34, 35  
 negotiating procedures 178–81  
 neoclassical theory 24  
 neoliberalism 5, 23, 83  
 networks; academic 15, 204; creation of 4; in Chile 51; international 65; involvement in liberalization 5; knowledge 6, 13; transnational 25, 28, 197  
 NGOs *see* nongovernmental organizations  
 nonagricultural market access (NAMA) 54  
 nongovernmental actors 133, 193  
 nongovernmental organizations (NGOs) 14, 49, 58, 63, 66, 109  
 nonstate actors 84–9  
 nontariff barriers (NTBs) 9, 51, 71, 108, 112, 120, 161  
 North American Free Trade Agreement (NAFTA) 8, 11, 12, 89, 94; Mexico and 11, 12, 83, 84, 87–100, 102n., 105n., 169, 183  
 NTBs *see* nontariff barriers
- O**
- Occidental Petroleum 30  
 OECD, *see* Organization for Economic Cooperation and Development 2  
 offensive-liberal position 198  
 Office of NAFTA Negotiations 85  
 Office of Planning and Budget 117  
 oil crisis 161

OLPED *see* Latin American Observatory of Education Policies  
 Organization for Economic Cooperation and Development (OECD) 2  
 Organization of American States (OAS) 207n.  
 Ouro Preto 170

**P**  
 PAN *see* National Action Party  
 Paraguay 144, 159, 169, 170, 171, 207n.  
 para-trade issues 172n.  
 partial equilibrium 64  
 Party of the Democratic Revolution (PRD) 86  
 Perez Companc 62  
 permanent negotiations 21–40  
 personal advisers 123  
 personal contact 72, 74  
 personalism 120  
 Peru 36, 39, 76, 77, 78, 113, 185  
 Petrobrás 30  
 Petrochemical Chamber of Argentina 63  
 petrochemicals 155, 160, 167  
 phytosanitary rules 31  
 PICE *see* Economic Integration and Cooperation Program  
 PIEI *see* Study Program of International Economic Institutions  
 Plan Puebla-Panama 29  
 plurilateral offer-request method 206n.  
 policy; changes 37; impact of knowledge on 1–16; influences on 34; large changes 37; research and 2, 4–6, 33, 34, 37, 38; evidence based 110; *see also* trade policy  
 policy makers *see* decision makers  
 policy making; process 21; research production and 22; role of think tanks 48, 71; social participation in 133  
 political capacity 108  
 political context; Argentina 52–3, 70; 146–8; Brazil 53–4, 70; Chile 50–2, 70  
 political economy approach 10  
 political rationales 126–7  
 Portillo, José Lopez 103n.  
 positive list negotiations 178  
 poverty 14, 36, 79n., 207n.  
 PRD *see* Party of the Democratic Revolution

preferential access 160  
 preferential agreements 2, 8, 59, 112  
 presence of natural persons 178  
 Preto, Ouro 156  
 PRI *see* Institutional Revolutionary Party  
 prior import permits 147  
 private sector 87, 90, 121, 146, 160, 163, 166–8, 188; in Argentina 62; in CET discussion 162–6; in Chile 51; in Mexico 89; investment in research 75; research 97–8  
 Private Sector Economic Studies Center (CEESP) 97, 98, 104n.  
 privatization 29, 30, 147, 186, 188, 189, 204  
 procurement 111, 183  
 product-by-product bargaining 35  
 productive integration 172n.  
 professional associations 28, 192, 204  
 Professional Council of Architecture and Town Planning (CPAU) 192  
 Professional Qualifications in Globalization 207n.  
 Profiles group 124  
 protectionism 70, 90, 162, 181, 198, 203

**Q**  
 quantification studies 36  
 quantitative studies 153  
 quasi-structures 133  
 Quijano, Juan Manuel 122  
 quotas 8

**R**  
 rationalist model 3, 4, 16n., 126  
 Real Plan 79n., 161, 168  
 recession 161  
 reciprocal concession 25  
 reciprocity 193, 194, 203  
 REDES 128, 129  
 redistribution 26  
 Regime of Final Adaptation to the Customs Union 170, 173n.  
 regional integration xvi, 2, 11, 41, 45, 59, 84, 148, 150–3, 162  
 regulation 204  
 regulatory harmonization 201  
 Reich, Robert 78n.  
 research; academic 73, 74, 100; access to 69; by civil society actors 58; capacities of business

- associations 130; commissioning 72, 74, 81; communication of findings 59–60, 64, 69, 99; decision making and 11, 55, 73, 158–60; democratization and 11, 55, 100; domestic 90–8; economics and 27–8; from international organizations 34; funding 3, 31, 55–9, 62, 66–7, 71, 75; future agenda 13–16; future challenges 33–6; impact of economic opening on 82; in Argentina 62–5; in Brazil 66–70; in Chile 58–9; in developing countries 3, 21; in negotiating process 34, 35; local 146–71; mediator role 13; need for agenda 75; policy and 2, 4–6, 26, 27, 33, 34, 37, 38; private sector 75, 97–8; production 21, 22, 66; promotion by World Bank 92; rationalization of output 36; reliability 157; role 4, 23–7, 74; use 3, 21, 60, 64–5, 69–70, 158–60
- research centers 13, 48, 68, 69, 93, 127–31
- Revolutionary Confederation of Workers and Peasants (CROC) 84
- revolving door phenomenon 59, 64, 72, 124
- RMLAC *see* Mexican Free Trade Action Network
- S**
- Salinas, President Carlos 85, 87
- Sanguinetti, Julio María 112
- Sanguinetti, Pablo 155
- sanitary norms 114, 115
- São Paulo State Union of the Sugarcane Industry (UNICA) 68
- SARH *see* Secretariat of Agriculture and Water Resources
- SAT *see* Technical Advisory Sector
- scenario studies 159
- science 108, 114, 172n.
- Science and Technology Secretariat (SECyT) 62
- SE *see* Economy Secretariat
- SECOFI *see* Secretariat for Trade and Industrial Development
- Secretariat for Economic Planning 154
- Secretariat for Trade and Industrial Development (SECOFI) 85, 88, 90, 91, 93, 99, 102n.
- Secretariat of Agriculture and Water Resources (SARH) 85
- Secretariat of Energy, Mines, and State Run Industry (SEMIP) 85
- Secretariat of the Treasury and Public Credit (SHCP) 85
- Secretariat of University Policies (SPU) 188
- Sectoral Commission for Mercosur (Comisec) 117
- SECyT *see* Science and Technology Secretariat
- SEMIP *see* Secretariat of Energy, Mines, and State Run Industry
- SENALCA 54, 69
- SENEUROPA 54, 69
- services 13, 31, 89, 175–209
- SHCP *see* Secretariat of the Treasury and Public Credit
- side room 51, 88; *see also* adjoining room
- Singapore issues 114
- Single Workers Central (CUT) 54
- situational decisions 7
- small and medium-sized enterprises (SMEs) 14, 15, 151
- SMEs *see* small and medium-sized enterprises
- social charter 88
- social costs 36
- social engineering 4
- social impact studies 59
- social sciences 43
- Social Security Workers' Union 89
- SOFOFA *see* Industrial Promotion Society
- Solidarity Pact 87
- Solvanes 190
- Sourruille, Jean 172n.
- South Korea 93
- sovereignty 9, 90
- special and differentiated treatment 9
- specialists xvii, 2, 6, 7, 16n., 43, 46, 53, 56, 64–7, 92, 96, 124–9, 137n., 149, 151, 153, 157, 160, 165, 188, 196
- specific commitments 179
- Spring Plan 146
- SPU *see* Secretariat of University Policies
- SRE *see* Foreign Relations Secretariat
- stabilization 24
- staff turnover 32, 43–4, 65
- stages of negotiation 34

- star sector 148
- State and Administration Research Center (CISEA) 153
- state; activism 35; institutional capacity 110; intervention 22; need for structural change 133–4; production of knowledge 69; reform 8, 147; role 35; social sciences and the 43
- strategies 7, 69, 150–3
- structural reforms 4, 5, 187, 188; electoral weariness with 22; explanations for 24; in Argentina 61, 147; in Chile 50; liberalization of services and 187; link with democracy 5; role of academics in 6
- Studies Center for Technological Innovation (CENIT) 62
- Study Center for Sustainable Development and Food Sovereignty (CEDRSSA) 96
- Study Program of International Economic Institutions (PIEI) xv
- subnational governments 86
- subsidies 8, 89
- Summit of Ibero-American Public Universities 186
- Summit of the Americas 206n.
- symbolic-analytical services 7, 78n.
- systemic approaches 134
- T**
- tacit knowledge 110
- tariffs; 9, 31, 50, 52, 54, 116, 130, 164, 175; Mercosur policy 143–73; reduction 8, 89, 92, 96, 126, 162
- TEC *see* Monterrey Technological Institute
- Techint Group 62, 160
- Technical Advisory Sector (SAT) 44, 46n.
- technical assistance 11, 22, 28–33
- technical barriers 31
- technical cooperation 206n.
- technical decisions 7
- technical experts 42
- technical knowledge 3, 11, 42, 43
- technical rationales 126–7
- technical studies 73, 122–4, 153–6
- technification 44
- telecommunications goods 170
- tequila crisis 153
- think tanks 100, 159; as intermediaries 78n.; audiences 49; communication by 48; contribution to policy 48, 71; establishment of 81; goals 49; in Argentina 146; in Brazil 72; in Chile 55–60; in external trade negotiations 48–80; in Uruguay 123; role 11, 45–6, 71
- third sector 49
- thought communities 27
- Tombini, Alexandre 164
- trade agreements 22, 34, 93–4, 96, 109, 113
- trade balance 209n.
- trade disputes 187
- trade facilitation 172n.
- trade indicators analysis 64
- Trade Liberalization Program 143, 149, 172n.
- trade litigation 98
- trade opening 22, 75; conditional 54; effect on exchange rate 24; effects on employment 96; effects on imports and exports 24, 25; in Argentina 52, 70, 63, 75, 146; in Brazil 53, 70, 75, 162; in Chile 50–2, 70, 75; in Mexico 82–4, 95, 100; international coordination of conditions for xv; lack of consensus on 65; link with economic performance 111; models 11; stabilization and 24; starting point for development strategies 25; unilateral 8, 149
- trade policy; as developmental strategy 134; as long-term instrument 90–1; coordination mechanisms 118; in Mexico 81–107; institutional weaknesses and 112–27; management of knowledge in 108–38; monitoring 129; structural change and 133–4; use of knowledge in 11, 132–3
- Trade Policy and Negotiations Unit (TPNU) 129
- Trade Policy Office 116, 118, 122, 136n.
- trade reforms 110–12
- trade unions 14, 28, 58, 63, 66, 129
- training; as transmission mechanism 27; by civil society actors 58; effects of staff turnover on

65; in Brazil 68; in developing countries 31–3; in foreign trade matters 133; in Uruguay 121–2, 127; use with other forms of knowledge 73  
 transition countries 181, 182  
 transnational networks 25, 28, 197  
 transparency 10, 44, 75, 138n., 177, 198, 205  
 two-level game 17n.

## U

UBA *see* University of Buenos Aires  
 uncertainty 133, 134  
 UNDP *see* United Nations Development Program  
 unemployment 22  
 unilateral reforms 182, 187, 192  
 unions *see* trade unions  
 United Nations Development Program (UNDP) 61, 62, 71, 151, 154, 157, 164  
 universities 66, 191, 192  
 Uruguay Coordination Commission 207n.  
 University of Brasilia 66  
 University of Buenos Aires (UBA) 153, 154, 158  
 University of Chile 59  
 University of Colima 93  
 University of Guadalajara 93  
 University of the Republic 127  
 UNT *see* National Workers' Union  
 Uruguay 18–38, 169–71, 207n.;  
 absence of staff training 121–2; difficulties with globalization/regionalization 12; exports 114; free-trade negotiations with US 26; imports 114; examined from public administration perspective 12; information centers in 131; institutional weaknesses 112–27; lack of strategic management 115; relationship with Mercosur 11, 112, 115, 144; research centers 127–31; training

in 121–2, 127; universities 127; use of research in 159  
 Uruguayan Chamber of Industry 117  
 Uruguayan Chamber of Information Technologies (CUTI) 130  
 Uruguayan crisis (2002) 22  
 Uruguayan Rural Association (ARU) 117, 130, 131  
 Uruguayan Tariff Commission 116  
 Uruguayan Technological Laboratory 117  
 Uruguayan Union of Exporters (UEU) 117  
 Uruguay Round 9, 108, 143, 175, 177, 181, 183, 205n.  
 U.S.–Chile accord 185  
 U.S.–Morocco FTA 185  
 UTDT *see* International Studies Center of the Torcuato Di Tella University

## V

Vázquez, Tabaré 109, 112  
 Venezuela 30, 36  
 vision 133, 134

## W

Washington Consensus 6, 55, 112–5, 147  
 working conditions 108  
 working subgroups (WSGs) 152, 153, 169, 197  
 World Bank 1, 5, 6, 24, 62, 83, 91–3, 109n. 169, 187, 188, 207n.;  
 adjustment loans 24; as transmitter of neoliberalism 6; incentives 101n.; influence 23; intervention in Argentina 52; negotiations with Argentina 146; promotion of research 92  
 World Trade Organization (WTO) 8, 9, 22, 36, 50, 114, 167, 175, 178, 179, 183, 187, 205n., 206n.;  
 establishment 181; intervention in Argentina 52; Mexican participation in 83; technical assistance 11; training provided by 31, 32