

Making trade policy in Latin America more pro-poor: Is greater participation the answer?



**Alina Rocha
Menocal**

‘the challenge lies in determining the right balance between necessary autonomy, and dialogue and openness’

Since the 1980s, Latin America has experienced increasing trade liberalisation and regional integration. In terms of rhetoric and, to a greater or lesser extent, practice, countries have replaced a strategy of support for domestic infant industries through tariffs and other protectionist measures, with one of greater openness to the world economy. There is a widespread, but hard to quantify, view that the poor are over-represented among the losers. This leads to a pressing question: how can interested stakeholders influence trade policy-making to make trade work better for the poor?

Trade policy-making in Latin America

For the most part, trade policy-making in Latin America has been a top-down process, led by the executive and a small circle of technocratic advisors. This was notably the case in the trade reforms in Argentina, Brazil, Chile, Colombia, Costa Rica, and Mexico in the 1980s and 1990s. With the partial exception of large corporate business interests and, more recently, small or medium enterprises (SMEs), other actors, such as congress, government institutions at the sub-national levels, civil society organisations, or organised labour, have lacked the necessary access, skills and institutional capacity to influence or shape policy in the trade arena.

Arguably, there is nothing inherently problematic with an executive-led approach to trade policy-making. After all, commitment by strategically placed actors is an essential ingredient for effective policy-making in any area, including trade. In addition, a certain degree of autonomy seems to be desirable, to enable policy-makers, bureaucrats and technocrats to rise above the political fray, and bring about important reforms, and to ensure that policy is not beholden to the interests of a few powerful players. However, the challenge lies precisely in determining the optimal balance between necessary autonomy, on the one hand, and dialogue and openness on the other.

Weak institutions

In the case of Latin America, the picture that emerges is mixed. Executive leadership has clearly been essential to push forward trade reforms that would have been opposed by protectionist interests that are not always pro-poor. On the other hand, it is, in fact, the weak nature of institutions in the region that has enabled such ambitious – and top-down – breaks in policy. Latin American presidents have tended to resort to the centralisation of powers or rule by decree as a way to limit the parameters of the debate and expedite decision-making processes. The Mexican Senate, for example, took just two hours to ratify the North American Free Trade Agreement (NAFTA).

This suggests that more open and inclusionary trade policy-making processes may be desirable. At the very least, more discussion and participation would increase public understanding and acceptance of the benefits, tradeoffs and risks of different trade policy proposals, and thereby make such decisions more legitimate and sustainable overtime. There may be a general need to improve the quality of representative institutions and accountability mechanisms throughout the region, to promote a more open and better informed dialogue around decisions of consequence.

Complexities of trade policy-making

There is a problem, however. We should be wary of assuming that greater participation by interested stakeholders in formal trade policy-making processes is the key element that has been missing in efforts to make trade policy more redistributive and pro-poor. Without denying the fundamentally political nature of many trade decisions (such as whom the government will support or tax), policy-making in this area is also characterised by structural features related to the complexity of trade policy itself. These make wider participation in such processes particularly challenging and problematic.

Many of the issues directly covered by trade

Overseas Development Institute

ODI is the UK's leading independent think tank on international development and humanitarian issues.

ODI Opinions are signed pieces by ODI researchers on current development and humanitarian topics.

This and other ODI Opinions are available from www.odi.org.uk

policy (including trade negotiations) are highly complex and technical. Engagement in such issues therefore requires a high level of expertise (legal, economic, etc.), skills, and institutionalised capacity. Actors who have a stake in policy decisions on trade, such as parliaments and civil society organisations, but especially poor and marginalised groups, often lack such expertise. Moreover, they may also lack the capacity to make contributions to the debate that are evidence-based or that have the requisite credibility.

Members of the legislature in many Latin American countries, for example, have limited human and financial resources at their disposal. This means that they may not possess the knowledge and technical skills required to participate in trade discussions as equal partners. The same limitations apply to civil society organisations.

Is greater participation the answer? Shifting the focus from trade to domestic policies

The lack of expertise and poor capacity of relevant stakeholders to engage in trade policy-making processes are issues that clearly needs to be addressed. Yet, the potential benefits of inclusive policy-making need to be more clearly defined. That is to say, some policy arenas may lend themselves more easily to productive participatory processes than others. Given the arcane nature of trade negotiations and policy-making, actors promoting more distributive and pro-poor policies may be wise to focus on the wider debate surrounding the uneven impact of trade on different segments of the population. In so doing, they could also push for domestic policies that are more responsive to the needs of the poor and most vulnerable.

Regressive outcomes are more likely in the absence of complementary domestic social welfare and redistribution policies that would help, indirectly, to ensure an equitable distribution of net

gains from trade, protect the most vulnerable from transitional costs, and make trade more pro-poor. These complementary reforms, which are required for a variety of reasons and not just to deal with trade policy effects, include improving the quality of basic services such as health and education, facilitating access to credit, investing in transportation and communications infrastructure and developing targeted welfare interventions to benefit the most marginalised sectors of the population (including women, children, and indigenous populations).

In other words, what may be most useful is for a wide set of stakeholders to engage with governments in informed policy dialogues to assess the domestic distributional impacts of trade liberalisation and regional integration and explore a wider range of domestic policy issues to make reforms work for the poor. Clearly, the weakness of state and other representative institutions throughout Latin America remains a barrier to more participatory decision-making. Yet, in contrast to the trade arena, relevant actors and stakeholders (including civil society organisations and political parties) have accumulated considerable knowledge and experience about social welfare and redistribution issues over time. This gives them the credibility and legitimacy needed to act as effective interlocutors of the poor in policy-making processes. There is, therefore, far more potential and scope for alliances and power shifts that involve the poor and their representatives in such domestic areas. Engagement at this level may in turn help provide a platform to place trade debates within a broader human development context.

Written by Alina Rocha Menocal, ODI Research Fellow (a.rochamenocal@odi.org.uk). For more ODI resources on this topic visit <http://www.COP-LA.net>



Overseas Development Institute

111 Westminster Bridge Road, London SE1 7JD

Tel +44 (0)20 7922 0300

Fax +44 (0)20 7922 0399

Email publications@odi.org.uk

Readers are encouraged to quote or reproduce material from ODI Opinions for their own publications, but as copyright holder, ODI requests due acknowledgement and a copy of the publication.

© Overseas Development Institute 2008

ISSN 1756-7629