Competitiveness and Convergence: the Open Method of Co-ordination in Latin America

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> Latin America has entered the twenty-first century with comparatively sound macroeconomic fundamentals relative to past decades, with democratic governments, and with a much improved business climate. The region's average growth rate was up a resounding 5.6 percent in 2004, the highest rate registered since 1980, and then continued to expand at a healthy pace of 4.1 percent in 2005. Inflation has been brought under control and, in many countries, inflation-targeting, flexible exchange rate regimes, and central bank independence have played a key role. These developments have led to a more buoyant mood regarding the region's short-term economic outlook.
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> Despite the favorable climate, a number of problems continue to plague the region, including persistently high debt burdens, income inequality, and other structural weaknesses that deprive many countries of a significant boost to their competitiveness and long-term growth prospects and leave them vulnerable to external shocks. Latin America still suffers from one of the most inequitable income distributions in the world, social tensions, and a growing sense of reform fatigue. Moreover, the region seems to be losing ground as foreign direct investment and trade shares shift to other developing regions, notably Asia and Central and Eastern Europe.
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> The buoyant conditions of the past couple of years have opened a window of opportunity to creatively address many of these important challenges. Failure to take this opportunity poses risks to the region, to the growth of per capita incomes, to the stable evolution of its institutions, and, ultimately, to the region's place in the world economy, both in terms of its relative contribution to world GDP and, perhaps more importantly, in terms of its ability to compete effectively in an increasingly complex and sophisticated global environment in which countries that stand still rapidly fall behind. In this context, it is crucial that Latin American governments invest in efforts to improve their competitiveness and build the institutions and policies necessary for sustained economic growth and prosperity of its citizens.
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> Klaus Schwab, 'Preface', *Latin American Competitiveness Review 2006*, World Economic Forum, 2006.

States, International Institutions and the Politics of Global Competitiveness

We live in a new age of global competitiveness – one in which the dynamics of global capitalist competition are more present and powerful than ever before, and in which the systemic conditions that drive competitiveness further forward and purposive action in promoting it are mutually reinforcing, if also contested. Over the last two decades international institutions have been acting with increasing purpose to promote unimpeded capital accumulation on a global scale. They support and draw support from governments committed to such reforms, and coax other governments towards desired reforms where they remain reluctant. They are therefore deeply involved in national politics, and central to alliances that promote the politics of competitiveness (Cammack, 2003).

The first paper in this series identified a 'convergence club' model of policy transfer – originating in the OECD and vigorously practised by the Bretton Woods institutions, including the multilateral banks, and by the EU – aimed at creating a global economy permeated throughout by the disciplines of competitive capitalism (Cammack 2006a). It showed how such institutions operate not above or in isolation from states, but through the *agency* of states, which they simultaneously seek to transform. Imposition from above is not ruled out (for example, where states have 'pooled' sovereignty or assented to legally binding frameworks at supranational level, as in the EU or the WTO), but as a general rule the task of carrying out proposed reforms and building support for them among citizens is explicitly assigned to the national state.[1]

International institutions can be understood, then, as seeking to bring into being a new global order in which states individually and collectively maintain conditions in which capital is hegemonic over labour, and in which the manner in which they 'compete' with each other promotes rather than runs counter to dynamics of competitiveness on a global level. The objective is a global order entirely shaped by the logic of capital: one in which macroeconomic stability is secured as far as possible at global level by domestic discipline and global co-ordination; internationally agreed regimes and standards stave off as far a possible the threat of financial crisis; states refrain from corruption and from protecting 'national capital', but vie with each other to offer 'better climates for investment'; and the free movement of capital, goods and workers guarantees the global reach of capital and enhances its power to transform social relations. A wide range of strategies may be adopted in pursuit of these ends.

[1] This makes it misleading to counterpose supranational institutions and states in zero sum terms. Their interaction is better captured by the idea of 'meta-governance' than by the contrast between state sovereignty on the one hand and its eclipse on the other around which much debate on the EU revolves. Various approaches – Gill's 'new constitutionalism' (2001), Jayasuriya's 'new regulatory state' (2004), and Jessop's 'multi-scalar meta-governance' (2006) reflect this broad perspective, as does my own approach to the governance of global capitalism (Cammack, 2002), and to the 'politics of global competitiveness' (Cammack, 2006a). For Gill, the international governance framework of the new constitutionalism "seeks to separate economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces, and correspondingly less responsive to popular-democratic forces and processes", which in turn "involves actively remaking state apparatuses and governmental practices *and* the institutions of civil society" (Gill, 2001: 47, 51). Both Jayasuriya and Jessop reject the "fundamental binary divide between the national and the global that is constitutive of the 'Westphalian' model of sovereignty" (Jayasuriya, 2004: 488-9), and both characterise the steering role of international institutions as an instance of meta-governance focused on the state.

The Open Method of Co-ordination

Against this background, two aspects of the growing literature on the open method of co-ordination (OMC) in the European Union hinder an understanding of its significance. First, it is generally addressed, within the terms of familiar debates over broader aspects of European integration, as if it were something uniquely European; and second, the great majority of commentators have been rather more interested in the potential for extending the method to new areas than in its particular place within the politics of global competitiveness.[2]

The 'Lisbon process' did not inaugurate either the open method of co-ordination or the promotion of global competitiveness. Even so, the OMC as adopted at the Lisbon Summit of March 2000 constitutes perhaps the most formal and comprehensive mechanism for the promotion of convergence on policies intended to secure global competitiveness (Cammack, 2006a: 8-9). And if attention is *centred* on the promotion of convergence on policies generative of global competitiveness, the OMC falls into place as a key element in a *hierarchy* of policy modes, at the same time subordinate and complementary to the 'harder' modes of the Community Method and binding regulation in monetary and fiscal areas. It can be seen as it was initially conceived – as a means of disseminating the logic of monetary and fiscal policy across other (social) policy areas through the agency of national government and the medium of national action plans shaped by benchmarking and related mechanisms. At the Lisbon Council, after all, economic, social and employment policies were seen as linked aspects of a 'new strategic goal' focused on competitiveness, within which social protection was to be developed as a 'productive factor' (that is, reshaped so that it could contribute to fostering productivity and competitiveness). It was not intended that it should have its own space to develop as a counter to the logic of

[2] A full critique of the literature will be offered in a later paper in this series. First, the debate has tended to focus on the EU-specific issue of supranationalism versus inter-governmentalism, or to revolve around the merits of varied imported institutionalist, constructivist or game theoretic approaches – none of them helpful. Second, more attention is devoted to the variety of policy modes than to the relationship between them. See Hodson and Maher, 2001; Scott and Trubek, 2002; Borras and Jacobsson 2004; and Bruno et al, 2006. Schäfer (2006: 71) does note the neglect of systematic comparison in the literature, and compares the OMC with multilateral surveillance by the OECD and the IMF. But as he confines himself to procedure rather than content, he misses the common commitment to convergence on policies conducive to global competitiveness. It is symptomatic of the judgement offered here that not one of three recent discussions of the literature – Caporaso and Wittenbrinck, 2006; Köhler-Koch and Rittberger, 2006; and Citi and Rhodes, 2007 – attaches more than passing significance to the link between the OMC and the pursuit of competitiveness.

competitiveness (European Commission, 2000: 6, 20; cf. European Commission 2006a: 3). The open method of co-ordination as originally devised, then, is not *open-ended*: it is a means to co-ordinate the policies of governments which have internalised the underlying project to varying extents, and to bring other policies into line with the hard core of the politics of global competitiveness.[3]

The European Union has powerful tools at its disposal for the supranational management of monetary and fiscal orthodoxy on which the OMC rests. But the OMC itself is illustrative of a *general* pattern in which meta-governance aims to re-orient state agency in pursuit of *global* competitiveness.[4] This paper sets out to show that the open method of co-ordination is as well established in Latin America as in the European Union, and that it is embedded in a variety of disciplinary processes equivalent in effect to the treaty-based powers of the EU.

The 'Lisbon Process'

Building on the EU's own formal definition of the OMC, and setting it in the broader context of the promotion of competitiveness that sits at the centre of the Lisbon Agenda, we may identify the core components of the 'Lisbon Process' of which it is a part as consisting of (1) an overall goal of competitiveness in the global economy, (2) a comprehensive set of policy proposals stretching from monetary, economic and competition policy to complementary areas of

3 Needless to say, this project has been and continues to be contested, and proponents of a social Europe *not* shaped by the logic of competitiveness still abound. Obviously, if all governments were equally committed to the project, and equally capable of implementing it, there would have been no reason to create mechanisms to steer them towards it in the first place. At the same time, the adoption of the open method of co-ordination should not be seen as a 'second-best' strategy arising out of the difficulties associated with imposing a common orientation in key areas of social policy from the supranational centre, but as a reflection of the irreplaceable role of national governments as architects of strategies of transformation and legitimisation of new modes of accumulation in their specific national contexts. This is perfectly reflected in the justification for the 'Community Lisbon Programme': "While the success of the Lisbon partnership for growth and employment depends predominantly on the Member States and their determination to introduce the necessary structural reforms, the Community dimension of the strategy contributes essential value added. Indeed, maximum synergies and efficiency can only be achieved if national reform measures are complemented with action at the Community level. The policy measures presented in the Community Lisbon Programme all offer a clear value added because of action being taken or coordinated at the Community level. This added value is particularly obvious for Community policies related to internal market, to improvement of infrastructure and to creating better framework conditions for business. Much more stress must also be put on policies promoting knowledge, education and skills in order to strengthen EU competitiveness and sustainable growth while ensuring social and territorial cohesion" (European Commission, 2005b, p. 3).

4 For recent analyses that reflect some of this logic, see Bruno et al., 2006; Edquist, 2006; and Annesley and Bulmer, 2006.

productivity, innovation and entrepreneurship, labour markets, welfare and social policy (including pensions), health, education, training and skills; (3) a differentiated framework of implementation combining mandatory commitments enshrined in treaty and law which enforce the single market and macro-economic orthodoxy with 'soft law' procedures intended to promote convergence on competitiveness-enhancing policies across other policy areas; and (4) a set of instruments through which implementation is pursued, ranging from competition policy enforceable by law at one end of the spectrum to 'expert advice' at the other, and encompassing in particular the Broad Economic Policy Guidelines, and the mix of mutual learning, peer review, surveillance, and benchmarking (with its attendant official and unofficial scorecards and league tables) reflected in or associated with the 'Lisbon Process' itself. Box 1 below offers a schematic overview of the promotion of competitiveness in the EU in accordance with this framework, as a basis for comparison with the case of Latin America. While it respects the distinction between treaty-based mechanisms and the process of open co-ordination, it also reflects the fact that this distinction does not map directly onto a simple dichotomy of 'hard' and 'soft' methods respectively.

Box 1: The promotion of competitiveness in the European Union		
Treaty-based mechanisms		
Legally enforced	Hard	EMU, Single Market, Competition Policy, Accession Countries
National responsibility		Stability and Growth Pact
Guidelines	Soft	Broad Economic Policy Guidelines European Employment Strategy
Open co-ordination (Lisbon Process)		
Guidelines	Hard	Integrated Guidelines for Growth and Jobs
Surveillance		National Reform Programmes Commission Assessments Member states implementation reports
Benchmarking		Transposition of Lisbon Directives Benchmarking Enterprise Policy Internal Market Scoreboard Social Policy Agenda Scoreboard
Mutual learning and peer review	Soft	Mutual learning programme of the European Employment Strategy Peer Review and Assessment in Social Inclusion (and PROGRESS)

Social Protection and Social Cohesion within the Lisbon Process

The manner in which the Commission and Council seek to shape social policy within an overall framework responsive to the Lisbon agenda is reflected in the recent effort to develop a streamlined framework for social protection and social cohesion, intended "to create a stronger, more visible OMC with a heightened focus on policy implementation, which will interact positively with the revised Lisbon strategy" (European Commission 2005a: 2). The framework covers pensions and healthcare as well as social exclusion and poverty. Parallel policy proposals can be identified in all these areas for Latin America (see ECLAC, 2004), but for the limited purposes of this paper I am primarily concerned with the general 'overarching' objectives of the framework, and those relating to the poverty and social exclusion (Box 2).

Box 2: Objectives of OMC for Social Protection and Inclusion

Overarching objectives:

(a) Promote social cohesion and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;

(b) Interact closely with the Lisbon objectives on achieving greater economic growth and more and better jobs, and with the EU's Sustainable Development Strategy

(c) Strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy

In relation to the eradication of poverty and social exclusion:

(d) Ensure the active social inclusion of all by promoting participation in the labour market and by fighting poverty and exclusion among the most marginalised people and groups

(e) Guarantee access for all to the basic resources, rights and social services needed for participation in society, while addressing extreme forms of exclusion and fighting all forms of discrimination leading to exclusion

(f) Ensure that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes and that they are gender mainstreamed.

Source: European Commission 2005a: 5-6.

As we shall see, the same overarching objectives of (1) equal opportunities for all, (2) economic growth and competitiveness, and (3) good governance inform parallel co-ordinated proposals for social reform in Latin America.

The Open Method of Co-ordination in Latin America

In the absence of a single authoritative supranational authority, the co-ordination of financial, economic and social policy across Latin America is shared (increasingly closely) between the IMF, the World Bank (and its private sector arm, the International Finance Corporation), the OECD, the IDB (Inter-American Development Bank), ECLAC (the UN Economic Commission for Latin America and the Caribbean) and other UN agencies such as UNCTAD and the UNDP. Each works in specific policy areas, sometimes with a particular focus (the OECD has taken a particular interest in competition policy, for example); ECLAC, the IDB and the World Bank's Latin America and Caribbean Office develop and propose region-wide frameworks for policy reform; and most work with individual countries in the region, either on particular issues, or across all policy areas. Initiatives such as the long-established IMF Article IV consultations, the World Bank's Country Assistance and Poverty Reduction Strategy programmes, and OECD work on competition policy are characterised by varying forms of surveillance, benchmarking, monitoring and peer review. While these agencies have not been working together to a shared and preconceived blueprint, they have been working individually since the early 1990s on increasingly comprehensive and clearly defined programmes which are increasingly co-ordinated, and they are capable of pursuing a flexible division of labour in accordance with political sensitivities in particular countries at particular times.

In what follows I use the four-part framework identified for the EU to analyse the promotion of competitiveness in Latin America through a comprehensive multi-level programme in which open co-ordination plays a central part, identifying in turn (1) an overall goal of competitiveness, (2) a comprehensive set of policy proposals stretching from monetary, economic and competition policy to complementary areas of social policy (3) a framework of implementation combining mandatory commitments with 'soft law' procedures; and (4) a set of instruments through which implementation is pursued, encompassing in particular mutual learning, peer review, benchmarking, and surveillance. While I seek to give a sense of the range of institutions, methods and instruments involved, I focus in particular on ECLAC's development of a competitiveness agenda over more than a decade, and on its recent studies of social protection and social cohesion (ECLAC 2006, 2007), which reflect the beginnings of the deliberate 'Lisbonisation' of policy-making in the region.

The Politics of Competitiveness

I have discussed elsewhere (Cammack 2004) the extent to which Latin America is seized by the politics of competitiveness. Government after government has initiated a process of pro-competitiveness domestic reform with support from bodies ranging from the OECD to UNCTAD and ECLAC; practically every one has reformed its competition law, and created a national competition authority with wide ranging-powers; and the various indexes of competitiveness produced by the World Economic Forum have become key points of reference in the region. The Forum's 2006 *Latin American Competitiveness Review*, quoted at the head of this paper, reflects a perspective that is widely shared by governments and international institutions. The message from the WEF is that pro-competitiveness policies are working, and progress is being made, but that there is still a long way to go, both in terms of removing obstacles in the region, and in catching up with competitors outside it. So there can be no letting up; rather, advantage must be taken of relatively favourable circumstances to press on with "efforts to improve ... competitiveness and build the institutions and policies necessary for sustained economic growth and prosperity".

Within the region, it is the UN's regional economic commission, ECLAC, that has been the most consistent advocate of the need to address the issue of global competitiveness. Current Executive Secretary and former Argentine Minister of the Economy José Luis Machinea could justifiably claim in introducing its 2006 volume, *Shaping the Future of Social Protection*, that

> Since the early 1990s, ECLAC has been advocating a new development paradigm that is better suited to a globalized world of open economies. While retaining the Commission's long-standing focus on seeking out positive synergies between economic growth and social equity as part of a productive modernization process, this paradigm also underscores the importance of enhancing competitiveness, preserving macro-economic balances and strengthening a participatory and inclusive democratic political system. *The idea at the core of this proposal is that the Latin American and Caribbean economies will have to transform their productive structures, as well as embarking upon an intensive programme of human capital formation, in order to move their development process forward* (ECLAC, 2006: 11, emphasis mine).

A process launched with the publication in 1990 of *Equidad y transformación productiva* (Equity and the Transformation of Production) has produced a steady series of publications promoting a comprehensive agenda of reform. From the start, ECLAC has argued for the need to transform production and productivity in the region in order to achieve 'authentic competitiveness' in the global economy,[5] and the analysis it offers has been systemic throughout:

> Emphasis is placed on the systemic character of competitiveness. In the international market there compete economies in which the firm, although it is a crucial element, is integrated into a network of linkages with the educational system, the technological, energy and transport infrastructures, relations between employees and employers, the public and private institutional apparatus and the financial system: that is to say, it is integrated into a whole socio-economic system (ECLAC, 1990: n.p., translation mine).

At the time that the Lisbon process was being launched in the European Union, ECLAC was promoting its own comprehensive statement of pro-competitiveness policy proposals, *Equidad, desarrollo y ciudadanía* (Equity, Development and Citizenship, ECLAC, 2000). Here as before, ECLAC placed education and labour market flexibility at the centre of the 'challenge of competitiveness', arguing that "systemic competitiveness requires .. a systemic increase in the quality of human resources and the acquisition of new skills", and demonstrating from OECD data that "the countries of the region are clearly lagging behind their principal competitors in the industrialized world as regards the availability of semi-skilled and skilled labour, the indispensable requisite for increasing productivity and maintaining a significant competitive impetus in the global market" (ECLAC, 2000: 111). From the start then, and throughout the period in which ECLAC developed and promoted its policy proposals, in conjunction with the IDB and the World Bank (Charnock, 2006), the emphasis was placed on the symbiotic relationship between economic and social reform in the Latin American context.[6]

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5 The term, used consistently from 1990 onwards, was defined as follows in 2006: "First of all, ... more and better access to education and health raises the average level of human capital, which is crucial for sustainable growth and competitiveness in a world that increasingly values intelligence and innovation. It is also a decisive element in raising national economies' average productivity. These are necessary conditions for the transition from spurious competitiveness (i.e. competitiveness based on low wages and over-exploitation of natural resources) to a genuine form of competitiveness based on the incorporation of intellectual value-added" (ECLAC 2006: 31, citing ECLAC 1990 specifically as evidence of the long commitment to this perspective).

6 "The central objective of raising the levels of welfare of the population as a whole will not be achieved without significant advances in the consolidation of dynamic and competitive economies, capable of confronting the challenges of a globalized world. Equity and economic development, including the dimension of sustainable development, are, in this sense, elements of a single integrated strategy, which are related to each other in a complex manner. Social development cannot rest exclusively on social policy, just as growth and economic policy cannot in themselves guarantee the achievement of social objectives independently of the manner in which social policy is constructed" (ECLAC, 2000: 16).

A Comprehensive Set of Policy Proposals

The commitment to the promotion of competitiveness in Latin America is underpinned, at least on the part of the international organisations and agencies mentioned above, by a wide-ranging analysis of specific structural features which explain the need for a simultaneous process of economic and social reform. These are (1) the highest levels of inequality of any region in the world; (2) the social, economic and cultural exclusion of significant sections of the population, and particularly *majority* indigenous ethnic groups (in Bolivia and Guatemala for example); (3) an inefficient and regressive taxation system heavily dominated by consumption rather than income or property taxes; (4) education systems historically biased towards higher education, which leave substantial parts of the population poorly served; (5) a structure of production characterized by a large low-productivity informal sector and numerous under-capitalized and inefficient small and family firms; (6) an expensive and inefficient judicial system heavily biased towards the rich and powerful; (7) the persistence of clientelistic patterns of government that again allow politically favoured individuals privileged access, and (8) as a consequence of this, high levels of dissatisfaction with politics, governments, and pro-market reforms.

The continued insistence on these points by international institutions involved in the region is evidence itself of the limited progress that has been made in addressing the majority of them. The World Bank's latest 'flagship report' on the region, taking forward the decade-long sequence of analyses examined in detail by Charnock (2006), opens with the uncompromising statement that "Latin America's twin disappointments of relatively weak economic growth and persistent poverty and inequality are longstanding and intimately related", and makes the point in particular that "Latin American countries tend to have especially low levels of collections from personal income and property taxes" (World Bank 2006a: 1, 19); and the World Economic Forum identifies Latin American experience with economic policy formulation and implementation over the past decade as "an excellent example of how institutional weaknesses can undermine economic reform, growth and competitiveness" (World Economic Forum, 2006a: 12); it calls for progressive tax reform, and remarks that "it comes as no surprise that the region has witnessed a steady deterioration in the public trust in politicians (ibid: 16). This latter point is strongly reinforced by ECLAC, in relation to the prospects for social cohesion.

Social protection and social cohesion

ECLAC's 2007 volume on social cohesion massively documents the persistence of poverty, inequality and exclusion in the region, and reports for example, using data from Latinobarómetro, that fewer than one in four Latin Americans believe that all are equal before the law (and no more than 13 and 11 per cent in Brazil and Argentina respectively); three quarters are worried or very worried that they will lose their jobs in the next twelve months; and only 20 per cent have confidence in political parties (ECLAC, 2007: 74, 76, 79). While all the agencies and institutions discussed so far identify social exclusion as an issue of fundamental importance, it is ECLAC which has offered by far the most extended analysis in this area, insisting on the right to social protection, and at the same time setting it within the limits and the logic of the politics of global competitiveness. What is more, the terms in which it does this echo *precisely* the logic of reform proposed by the European Commission, as set out in Box 2 above (p. 6). This reflects the core of its diagnosis – that the legacy of social exclusion is a barrier both to competitiveness-enhancing reform itself and to popular acceptance of it. In this respect, ECLAC argues that if the demands of competitiveness and security have to be made compatible in the more developed OECD countries, "it is all the more necessary for medium and small countries such as the majority of the nations of Latin America and the Caribbean, which are characterized by being more open and vulnerable, and less developed" (ECLAC, 2007: 110).

First, then, the promotion of social cohesion and equal opportunities for all is addressed in ECLAC's proposal for a 'new social covenant' which echoes the terms agreed by the European Commission ("adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies", Box 2 above). Universal social protection should be the goal, but

> It is .. vital for the region's societies to agree on ways to combine rights-based development with the institutions and policies that will produce and allocate the resources needed to make those rights a reality. To accomplish this, social covenants will have to be forged between the various agents of the State and civil society within the framework of appropriate social institutions and authority to provide the necessary political strength and viability to move in that direction. These social pacts will also have to encompass fiscal covenants in order to ensure that the resources needed to implement such agreements will be available. This set of conditions will permit a gradual expansion of social protection systems' accessibility, financing and solidarity components (ECLAC, 2006: 13).

It follows that such policies must "interact closely with the [Lisbon] objectives on achieving greater economic growth and more and better jobs, and with the [EU's] Sustainable Development Strategy" (Box 2 above). Especially in the Latin American context, ECLAC argues, "providing access to social protection and financing its benefits also demand a rapid pace of economic growth," and in the meantime "the effort to establish a social covenant must .. be accompanied by an assessment of existing financial constraints and of possible mechanisms for overcoming them" (ibid: 14). This in turn poses a political challenge (the need to "strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy", Box 2 above):

> The aim is .. to develop links between the public voice, social empowerment, access to social protection benefits, and the creation of opportunities through the development of human capital. Steps must be taken to reverse the asymmetry existing between those who make themselves heard by using their collective bargaining power to ensure their rights are protected and those who have less power and influence and who therefore find themselves unable to exercise those same rights" (ibid: 17-18).

All these ideas come together in the 2007 volume on social cohesion, in the terms in which it recalls again the overall project on which ECLAC is engaged, and locates its approach to social cohesion within it:

> Since the early 1990s ECLAC has been constructing a vision of development suited to a globalized world of open economies. This is a matter of encouraging positive synergies between economic growth and social equity in the context of the modernization of production. Special significance is therefore accorded to the objectives of enhancing competitiveness, keeping watch over macro-economic balances, and strengthening a participatory and inclusive democratic political system. In this context, the thinking that ECLAC now sets out in this volume represents an attempt to give social cohesion a greater profile, identity and depth, which will allow it to become a significant reference point in public policy (ECLAC, 2007: 9-10).

Point for point, then, the framework within which ECLAC approaches the issues of social protection and social cohesion coincides with the overarching objectives adopted by the European Union. It is not the argument here, however, that this represents a direct influence, as similar ideas are current at the World Bank and elsewhere, and the analysis is consistent with ECLAC's approach over more than a decade. Rather, the point here is that there is little that is unique about the project on which the EU is engaged, or its logic.

This is equally the case with the eradication of poverty and social exclusion. ECLAC's approach rests on three pillars: opportunities, capacities, and protection. While the third is concerned primarily with methods of financing, the first two map directly onto the EU's three-part strategy of ensuring the active social inclusion of all by promoting participation in the labour market; guaranteeing access for all to the most basic resources, rights and social services while addressing extreme forms of exclusion; and ensuring that social inclusion policies involve all levels of government and relevant actors, including people experiencing poverty .. and are gender mainstreamed (Box 2, above).

Social cohesion is to be addressed by enhancing productive opportunities, or access to employment (ECLAC, 2007: 105-6). This entails a transition from the informal to the formal sector, along with measures to extend access to the labour market: "So policies that reconcile productive and reproductive labour in order to guarantee poor women better prospects of incorporation into the labour market, with adequate pre-school and nursery care are fundamental" (ibid: 107). The essential requirement, promoted by ECLAC for a number of years (Cammack, 2004: 262-4; ECLAC, 2004, Ch. 9), is a switch from low-productivity informal labour to 'flexicurity', or *flexiseguridad* (ECLAC, 2007: 107).[7] Strategies must combine employment, social and labour protection and fiscal responsibility" (ECLAC, 2007: 108). Hence the need for 'flexicurity', active labour market policies, called for by circumstances very similar to those obtaining in Italy, Spain and Portugal (ibid: 109): Precisely because fiscal resources are so scarce, the route to social inclusion and cohesion lies through the greater productivity that can come from flexible labour and enhanced access to the labour market.

Against this background, the development of capacities through education is the essential second pillar, so long as three necessary types of action are undertaken: the promotion of greater equity in educational opportunities; the building of closer links between the world of education and the world of work (in part to facilitate the transition from one to the other and in part to mitigate the gap between expectations and reality when students find themselves in a 'refractory' labour market), and third, "to reverse the forms of discrimination that arise from dynamics of socialization and transmission in the educational sphere, in order to allow education to become an experience of learning based on respect for diversity and reciprocal rights" (ibid: 112, and 112-119).

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[7] The 2004 volume advocated "active public policies .. backed by the political legitimacy afforded by democratic institutions and .. founded upon public transparency as well as efficient, effective government programmes subject to strict oversight and evaluation" (ECLAC 2004: 13), and made suggestions "concerning steps that could be taken to contribute to a form of flexible employment combined with social protection mechanisms based on a fiscally responsible social cohesion covenant" (ibid: 15).

A differentiated framework of implementation

There are strong parallels between Latin America and the European Union, then, in the commitment of regional and global institutions to the promotion of a politics of competitiveness, and its dissemination across a wide range of policy areas. ECLAC has played a leading role, operating at the softest end of 'soft law', primarily through expert advice. This is generally the case with other institutions – as with the World Bank's promotion of itself as a knowledge bank, and the stream of policy advice offered across the region through its flagship *Viewpoints* series (Charnock, 2006). Similar examples are provided by the Latin American Competition Forum first convened by the OECD in 2003, and meeting annually thereafter (Cammack, 2004), and the OECD's periodic economic surveys of its members (such as Mexico) and non-members (such as Brazil and Chile). The World Economic Forum's *Competitiveness Review*, and the accompanying 'World Economic Forum on Latin America' held in São Paulo, Brazil, in April 2006 (World Economic Forum, 2006b) provide further examples.

Parallels can also be found in the region to the harder Treaty-based processes operated within the European Union; they are generally associated with the Bretton Woods institutions. First, the PRSP process mentioned above, in which the IMF and World Bank engage heavily indebted poor countries, has some of the characteristics of the accession process facing candidates for EU membership, in that sovereign countries submit themselves to binding requirements in pursuit of access – in this case to international finance (Cammack, 2002). Second, the Country Assistance Strategies on which the World Bank engages with individual countries (also mentioned above), on which the provision of World Bank funding depends, share something with the dealings of the Commission with EU member countries over economic and fiscal policy – notably in the fact that the agreement and publication of 'Economic Policy Guidelines' (in this case by the 'assisted' country rather than by the Bank) now features as part of the process.[8] And third, in a process comparable to the EU's issuing of directives that are subsequently incorporated into national law, both Argentina, Brazil, Colombia and Peru have passed Laws of Fiscal Responsibility on lines heavily promoted by the IMF and the World Bank (Webb, 2004).

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[8] See World Bank, 2006b, Appendix A, 70-81. This document, which parrots faultlessly the principal guidelines of World Bank (and ECLAC) strategy, should be required reading forf anyone who doubts the hold of this policy framework over such 'heterodox' countries as Argentina and Brazil.

Instruments: surveillance, benchmarking, peer review and mutual learning

The proliferation of instruments of surveillance, benchmarking, peer review and mutual learning is discussed in the first paper in this series, with reference to the OECD *(Going for Growth*), the World Bank (*Doing Business*), and the World Economic Forum's Global Competitiveness Index (Cammack, 2006a, 9-12). They can be briefly illustrated here for Latin America with reference to the material discussed in previous sections, taking each of the elements in turn.

Surveillance: The 2002 Country Assistance Strategy (CAS) prepared by the World Bank for Nicaragua, one of the few Latin American countries enrolled in the Poverty Reduction Strategy Process, reviews and reports on every aspect of policy, and includes a Matrix listing 67 indicators against which progress will be measured, ranging from the size of the fiscal deficit to the number (25) of telemetric hydrometry stations to be installed (World Bank, 2002, Annex B1). The 2006 Strategy for Argentina (a 'sovereign' state outside the PRSP process) contains a similarly comprehensive review of policy, and a similar Matrix with targets for 2009 (World Bank 2006b, Annex K).

Benchmarking: The *Latin American Competitiveness Review* benchmarks the region against other emerging markets, with disturbing results (Table 1):

Table 1: Regional comparators for drivers of competitiveness

	Latin America and Caribbean	India	China	Central & E. Europe	East Asian NICs
Infrastructure	5	4	3	2	1
Goods market efficiency	5	2	3	4	1
Labour market efficiency	5	3	4	2	1
Financial market efficiency	4	5	2	3	1
Technological readiness	5	4	3	2	1
Innovation	5	3	2	4	1

Source: World Economic Forum, 2006a, Figs 4, 5, 6, 7, 8 and 11.

In addition, it reports on the ranking of individual countries. Only Chile (ranked 27th overall of 117, though 1st for macro-economic stability) makes it into the first 50 in the General Competitiveness Index, and the region as a whole gets a negative report card (ibid: 7). The World Bank's *Doing Business* league tables, discussed elsewhere (Cammack 2006a), present a similar picture of Latin American laggardliness.

Peer review and mutual learning: Here, a clear example is provided by the OECD- and IDB-supported peer reviews of competition policy, of which so far four have taken place within the framework of the Latin American Competition Forum, involving Argentina, Brazil, Chile, and Peru. Within this framework, discussed for the earlier reviews in Cammack (2004) countries volunteer to subject themselves to review, and act in turn as rapporteurs in the review process (OECD/IDB 2006).

Addendum: from Lisbon-like processes to Lisbonisation?

Ample evidence can be found across Latin America, then, of policy proposals oriented to global competitiveness and of particular practices associated with the Lisbon process and the OMC. ECLA's 2007 volume on social cohesion takes a step further towards 'Lisbonisation' proper by proposing the direct emulation of benchmarking mechanisms central to open coordination. This is not surprising – the study was funded in part by the EUROsociAL Programme of the European Commission, agreed at the (fourth) EU-LAC summit in Guadalajara, Mexico in 2004 to support the chosen theme of social cohesion in Latin America.[9] First, then, this initiative reflects the extension of the Open Method of Coordination to Latin America, as part of the foreign relations of the EU. Second, it has prompted ECLAC to consider the direct adoption of EU methods of coordination.

According to ECLAC, the realization of economic, social and cultural rights "presupposes the establishment of some indicators with respect to the advance in their consolidation, drawn up on the basis of targets and standards" (ECLAC, 2007: 28). Such a system of indicators would make it possible to "establish minimum standards, map out (*dimensionar*) situations of discrimination and exclusion, and examine the effectiveness of public policies" (ibid: 29). With this preamble, after a brief account of the Lisbon Agenda, the discussion of the issue of social cohesion at the Nice Council, and the Open Method of Coordination, a chapter is devoted the Laeken indicators, and the prospects for the development of a similar set of indicators for Latin America and the Caribbean (ibid: 29-41). It appears, then, that the parallel processes outlined in this paper are converging, in cooperation rather than competition with each other.

[9] The programme, bringing the EU's social agenda to Latin America, was confirmed at the Vienna summit of 2006, and will be taken forward at the EU-LAC Forum on Social Cohesion in Santiago, Chile (the home of ECLAC) in the autumn of 2007. See http://ec.europa.eu/comm/external_relations/la/sc/sc_en/04_analysis_en.htm for further details.

Conclusion: competitiveness and convergence in Europe and Latin America

> So reforms are starting to feed through into growth and jobs. The evidence is building. Europe's economy is growing more strongly than for many years. Seven million new jobs will be created in Europe in the three years to 2008. Part of this is cyclical, but part of the extra growth and jobs is the result of Lisbon reforms. We have also benefited from the new dynamism brought about by enlargement. As Member States' economies have grown increasingly interdependent, the positive effects of reforms to boost growth and jobs in one Member State - particularly the larger economies - are felt in all others. Structural reforms implemented across the whole of the Union pay a higher dividend than those implemented piecemeal. So we are moving in the right direction. But this is not a time to relax. We should use the progress so far to encourage swifter and deeper reforms – for political leaders to promote the compelling case for modernisation and the benefits it will bring to citizens. The next twelve months should see more market opening to stimulate innovation and give our consumers a better deal; a further push to open markets worldwide and bring new opportunities to European business; a better balance between flexibility and security in labour markets; and more progress on the quality of our education systems. The improved economic situation should be viewed as an opportunity to do more – not an excuse to do less. I believe 2007 will see real dynamism in the European economy, and an effective platform for the mid-term review of Lisbon in 2008.
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> José Manuel Durão Barroso, 'Preface', *Communication from the commission to the Spring European Council. Implementing the Renewed Lisbon Strategy for Growth and Jobs: "A Year of Delivery"* (European Commission, 2006b).

José Manuel Barroso's role as President of the European Commission is unique in the world. The remarks quoted above – prefacing his annual report to the Spring Meeting of the European Council, are part of a highly institutionalised system through which the Lisbon Strategy for Growth and Jobs has been pursued since 2000, and within which the Open Method of Co-ordination is formally established as a means of policy development and transfer. The annual report to the Spring Council (which met in Brussels, 8-9 March 2007) included not only Barroso's review and proposal for 'next steps', but also an assessment of the progress made by each member state, in turn based on a formal process involving the production and scrutiny of National Reform Programmes intended to implement the Lisbon Agenda; the Council also received a report on social protection and social inclusion, based on the first integrated national reports on strategies for social inclusion, pensions, healthcare and long-term care submitted by Member States (European Council 2007a); and the Presidency Conclusions from the meeting left no room for doubt as to the comprehensive strategy that is pursued through the 'Lisbon Agenda', as it called on Member States and EU institutions to pursue actions to "strengthen the internal market and competitiveness, create better framework conditions for innovation and greater investment in research and development, boost quality employment and improve social cohesion" (European Council, 2007b: 1), and went on to outline a comprehensive policy framework along these lines. It is not surprising that the debate around European integration, the Lisbon Strategy, and subsidiary elements such as the open method of co-ordination has not strayed far outside the EU and its specialist literature.

Yet Barroso's message to the Council reflects a universal concern, among governments and international institutions, with global competitiveness, and it takes a standard form (we are moving in the right direction; but there is more to be done; and now is the time to do it). Klaus Schwab, as President of the World Economic Forum, has none of the attributes of Barroso. But the report his remarks preface plays the same role in relation to Latin America that the report to the European Council plays in the European context – reviewing progress towards global competitiveness (and drawing on a range of benchmarks and indicators to do so), and proposing next steps for the region. Similarly, the UN's Economic Commission for Latin America and the Caribbean has none of the formal attributes of the European Commission. But it has developed and disseminated comprehensive policy proposals that coincide exactly and in detail will those propagated by the European Commission. And in Latin American governments do not submit National Reform Programmes to either of these institutions, those they submit to the IMF and the World Bank play the same role, and similarly revolve around comprehensive programmes anchored in the commitment to monetary, fiscal and financial discipline, intended to promote global competitiveness, and engaged in the pursuit of social cohesion.

This suggests that an appreciation of the issues involved here should begin with an analysis of the character and dynamics of the politics of global competitiveness, rather than with the specific institutional and procedural forms it takes in the particular case of the European Union. Second, it strongly supports the argument that international institutions (including the EU Commission) should be seen as playing a meta-governmental role oriented, as suggested above, towards prompting states to compete with each other in ways that promote rather than run counter to competitiveness on a global level. This in turn provides further evidence to support the suggestion that international institutions operate 'relatively autonomously' in the promotion of capitalism on a global scale (Cammack, 2003).

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