

Negotiating the New World of International Trade

Research helps Latin America to cope with an expanding trade dialogue

During the late 1990s, in the wake of the Uruguay Round of international trade negotiations, Latin American nations found themselves literally lost in a plethora of issues that until then had been foreign to the discourse on foreign trade. They risked becoming mere spectators in a game that was crucial to their continued survival. That was when researchers, with IDRC support, got involved, seeking to bring together different sectors and countries in the region to begin writing a new chapter in the history of policy-making in the developing world. It's a lucid and interesting, if still unfinished, chapter.

The year was 1997. Three years had passed since the exhaustive Uruguay Round had formally ended and the resultant agreements signed. But in the minds of thinkers such as Rohinton Medhora, then team leader of the International Development Research Centre's (IDRC) Trade, Employment, and Competitiveness program initiative, the ink was taking a long time to dry. Something was wrong.

The trade negotiations, named after the Latin American country where they had begun in September 1986, had revealed major weaknesses in the region's negotiating capacity. It seemed to validate the thesis, expounded a quarter century earlier by economist and educator Albert Hirschman, that some countries, Latin American ones prominent among them, had lost the liberty enjoyed by sovereign states to set their own policy agendas. They had become mere "coping states." They spent more time reacting rather than acting.

Seven and one-half years of trade talks helped highlight this regional inadequacy. After Uruguay, trade negotiations were no longer just about the selling of sugar, cars, and textiles but, according to the World Trade Organization (WTO) Web site, covered everything "from toothbrushes to pleasure boats, from banking to telecommunications, from the genes of wild rice to AIDS treatment."

Those talks, recalls Medhora, "were the first where the trade agenda was expanded to include what we now call behind-the-border subjects." These include international investment, competition policy, trade in services, telecommunications,

financial services, export promotion, intellectual property rights, special and differential treatment, labour policy and, of course, the environment. In this expanded discourse, developing countries often found themselves on the sidelines, unable to participate fully, uncertain how to respond to this plethora of issues. The distinction between domestic and international policy had been blurred and, says Medhora, the need for "extremely specialized and sophisticated analytical ability on the part of trade negotiators" became evident.

Medhora and other participants at a 1997 brainstorming session in Buenos Aires, Argentina were moved by another piece of evidence of Latin America's lack of preparedness for engagement in the growing international trade-policy dialogue. Part of a World Bank study questioning the performance and effectiveness of Mercosur – a regional trade arrangement established six years earlier by Argentina, Brazil, Paraguay, and Uruguay – appeared in the *Financial Times*. A well-reasoned response to the publication came not from Latin America, but from the desk of an official in the Washington-based Inter-American Development Bank.

"In the industrialized countries," says senior foreign trade expert Luis Abugattas, "there are hundreds of think tanks producing policy papers that are analyzed by the authorities and then used as inputs for negotiating positions. In my own country, Peru, there is no university or think tank doing this kind of research." He characterized the Latin American situation as one of "gambling with our countries' future every day at the negotiating table."



There were other problems: the sheer lack of technical expertise, particularly among the smaller countries, a “disconnect,” in some cases, between policymakers and the research community, and poor coordination among various institutions within the same government. Something had to be done. The Buenos Aires session led to an unprecedented mobilization of the research community to generate the information needed to influence Latin American trade policy-making and international trade dialogue in a new and positive way.

The researcher comes to the table

So, this is how LATN – the Latin American Trade Network – was born. Just as developed-country think tanks and research groups were represented at the negotiating table through the reception of their insights into their countries’ policy-making processes, the time had arrived for researchers to find their place, so to speak, on the Latin American side of the negotiation room. By December 1997, a project proposal had been drafted. The following March, IDRC approved a CA \$1.32 million grant to the Latin American Faculty of Social Sciences (FLACSO) to establish LATN.

Consulting economist Luis Macadar recalled the objectives of LATN in a recent case study undertaken to discover whether and how the project had begun to influence public policy. LATN, says Macadar, aimed to:

- ❑ support agenda building and policy formulation in Latin American countries in response to the emerging trends and issues in the international trade system;
- ❑ harness the existing research capacity in Latin American countries to engage in international trade negotiations and contribute to human resource development; and
- ❑ strengthen collaboration among the participating institutions with a view to sustaining the long-term goals of the Network.

Many of the people interviewed by Macadar in the preparation of the case study envision the pursuit of a regional approach to trade negotiations as an important complementary objective. In terms of the research process itself, they stress the importance of LATN’s coordinating role in drawing upon the expertise of various national and regional institutions and in finding “common ground” by bridging the much discussed divide among governments, researchers, and the private sector.

Studies undertaken to meet these aims fall into three groups.

- ❑ Group 1 comprises wide, overarching issues. These include the preconditions for the formation of trade coalitions and the challenges of bargaining in the context of ever-changing coalitions.
- ❑ Group 2 involves the study, from a Latin American perspective, of emerging issues, including the expanding menu of items on the trade negotiation agenda that has made the Uruguay Round such an eye-opener.
- ❑ Group 3, says Macadar, “consists of country case studies that aim to identify optimal or feasible national responses in the context of the current international trade relations regime for Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and Venezuela.”

The Network that set about fulfilling this ample mandate in the spring of 1998 comprised a dozen researchers. Today, it brings together some 35 researchers from more than 30 academic institutions. The Network also includes policy officials from Latin American countries, and colleagues working with a number of international agencies – academic, nongovernmental, and intergovernmental. Most LATN researchers are experienced academics – many, such as the Network’s director, Diana Tussie, having already achieved international renown – with broad experience in the issues addressed by LATN. There are also a number of young researchers, mainly Masters or PhD students or graduates of FLACSO.

Perfecting the LATN trade mark

LATN’s focus is simple and pragmatic. It seeks to deliver policy-relevant research that meets the needs of the region’s decision-makers – those in government, but often those in the private sector as well. An example of this approach is the research by Tussie and LATN deputy director Miguel Lengyel on export subsidies. That study was valuable, given the long-standing importance of subsidies to key Latin American industries and the complaints from other countries that such subsidies conferred an unfair advantage.

Following the Uruguay Round, which defined the term subsidy and clearly listed acceptable export-promotion practices, reports Lengyel, “countries now have their hands tied when it comes to export-promotion policies.” The study identified “margins for manoeuvre” that survived the



agreements signed as part of the Uruguay Round and that were consistent with other bilateral and multilateral obligations. The two experienced researchers discovered that measures such as reimbursing indirect taxes on items like energy costs, and such policy initiatives as research and development or training support, continued to be legitimate.

LATN's focused approach has also meant following up on the output of other researchers and academics in the field of international trade, rather than yielding to the temptation to generate brand-new research. Macadar describes what he calls "the LATN trademark," the Network's particular way of looking at problems, which "involves taking approaches from the literature and prioritizing them in a certain way, applying them to a specific issue related to the trade negotiations." This combination includes technical, legal, juridical, and economic elements. This unique LATN approach may be summarized as "academic knowledge applied specifically to a concrete sphere."

Also, LATN has seen the need to combine firm focus with creative flexibility. While the objectives in the original IDRC project proposal remain, emphases have been adjusted to meet the changing multilateral agenda, which has represented a shifting and confusing picture. Agriculture has emerged as the key issue followed by competition policy, internationalization of the multilateral trade rules, safeguard issues, antidumping, and services.

Also, emphasis was placed on the policy formulation process within individual governments and the importance of adapting it to the needs of negotiators. The project was also tweaked to place greater emphasis on education. "The authorities were much less well informed than had been assumed in the original proposal," says Macadar. The emphasis on education was particularly important in view of the emerging need to conduct multiple and simultaneous negotiations and because of the paucity of published material on relevant topics in Spanish and with a Latin American perspective.

Flexibility also required a change in the level at which LATN's research output would be targeted. Given the frequent changes at the ministerial and deputy-ministerial levels, LATN began to gear its material toward the middle-level bureaucrat. The Network recognized the control of information, the capacity to influence policy-making in subtle ways, and the responsibility to provide policy continuity that resided at this middle level.

A dream fulfilled?

Asked whether the dream that motivated him and a number of Latin American colleagues to come up with the LATN concept had been fulfilled, Medhora, now IDRC Vice-president, Program and Partnership Branch, answers: "Capacity building is a slow process and we had no illusions that anything dramatic would happen overnight. But I think if I were to assess where LATN is today, I would have to say I am extremely pleased." As evidence of LATN's success, Medhora noted that the Network had helped spawn similar networks. These include networks, also established with IDRC support, in Latin America itself and in South Asia and Southern Africa.

This positive assessment is reflected in the results of Macadar's case study, specifically in terms of the effectiveness of the project in influencing policy. An overall study by IDRC's Evaluation Unit, of which Macadar's case study is a part, identified three major forms of policy influence: expanding policy capacities, broadening policy horizons, and affecting policy regimes. Macadar found evidence of influence in all three areas, but particularly in the first two.

- *Expanding policy capacities:* LATN has demonstrated success in this area, not only by the quantity and quality of its work, but also by the innovative ways in which it has targeted its research activities to ensure that specific needs in the area of international trade negotiations and international trade policy are addressed and that the education, information, and strengthening of Latin American negotiators can be achieved. The initiation of a new generation of academics – many of whom may well end up as policymakers later in their careers – into this aspect of social science research is another example of expanding capacities.
- *Broadening policy horizons:* This "enlightenment approach" encompasses the research, information dissemination, and training through which the Network has helped to better equip policymakers, negotiators, middle-level officials, and private-sector representatives to undertake effective international trade-policy analysis and decision-making. Various Latin American governments – those of Argentina, Paraguay, Peru, and several Central American countries – have approached the Network for assistance. Argentina's Secretary of Trade, faced with complaints from the footwear lobby about competitive imports from Brazil, resolved the dispute with the help of a paper by LATN's deputy director and through the author's direct participation in the discussions.





Regional bodies: including the Andean Community and the Inter-American Institute for Cooperation in Agriculture – and Brazil’s National Confederation of Industries have also sought LATN’s assistance in trade negotiations. LATN has helped the World Bank Institute customize its trade policy courses for the region in an effort that has also been supported by UNCTAD’s Trade Diplomacy Program. UNCTAD and the WTO, both of which are linked to LATN, have identified the Network as a vehicle through which to strengthen regional collaboration between their two organizations. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has also associated itself with LATN’s work. Workshops conducted by LATN brought together negotiators from various governmental agencies of the same country, as well as representatives of various countries and of the private sector, in a non-competitive environment – often for the first time.

❑ *Affecting policy regimes:* This “fundamental redesign or modification” of policies or programs is more difficult to demonstrate at this early stage. However, some examples are beginning to emerge. In developing negotiation approaches for liberalizing services, governments, at least in part as a result of the Network’s input, have been accepting the need to go to the negotiating table with a number of options, rather than with a single inflexible position. The importance of the Network’s studies and of its Web sites in the preparation of the background analysis for Argentina’s anti-dumping and subsidy countervail legislation was rated very highly. And following an agricultural seminar organized by LATN to equip policymakers for upcoming international negotiations, Argentina’s Ministry of Agriculture prepared a series of studies that were transformed into manuals that are now found in every decision-maker’s office.

Some lessons

- ❑ Timeliness of the research question is a crucial element in policy influence.
- ❑ Political and institutional factors (including in LATN’s case, the fact that the same person may be researcher, negotiator, and decision-maker simultaneously or over time) need to be taken into account.
- ❑ Success may be hastened or hindered by the structure of linkages established by the Network and also by the approaches to dissemination.
- ❑ Clarity of objectives must be balanced by flexible responses either to changed circumstances or to the recognition of gaps in the original project proposal, as in LATN’s switch from publishing research results in book format to the use of briefing papers when the need for quick, “real-time” information was realized.
- ❑ At least in LATN’s case, the fact that policy research responded to policy needs and focused on meeting those needs was a defining success factor.
- ❑ The use of public media as part of the dissemination effort may help not only to increase policy influence but also to establish what may be called policy transparency.
- ❑ Constructing a single model or approach that is applicable to all countries or even to all those within a single region is difficult, at best.

The International Development Research Centre (IDRC) is a Canadian public corporation, created to help developing countries find solutions to the social, economic, and natural resource problems they face. Support is directed to building an indigenous research capacity. Because influencing the policy process is an important aspect of IDRC’s work, in 2001 the Evaluation Unit launched a strategic evaluation of more than 60 projects in some 20 countries to examine whether and how the research it supports influences public policy and decision-making. The evaluation design and studies can be found at: www.idrc.ca/evaluation/policy