

The Changing Coordinates of Trade and Power in Latin America

Implications for Policy Space and Policy Coherence

Manuel Mejido Costoya, Peter Utting and Gloria Carrión

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Acronyms

AA	Association Agreement
ACE	Acuerdo de Complementación Económica (<i>Economic Complementarity Agreement</i>)
ALADI	Asociación Latinoamericana de Integración (<i>Latin American Integration Association</i>)
ALALC	Asociación Latinoamericana de Libre Comercio (<i>Latin American Free Trade Association</i>)
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (<i>Bolivarian Alliance for the Peoples of Our America</i>)
ALCA	Área de Libre Comercio de las Américas (<i>Free Trade Agreement of the Americas</i>)
AMNLAE	Asociación de Mujeres Nicaragüenses Luisa Amanda Espinoza (<i>Luisa Amanda Espinoza Association of Nicaraguan Women</i>)
ANIFODA	Asociación Nicaragüense de Formuladores y Distribuidores Agroquímicos (<i>Nicaraguan Association of Manufacturers and Distributors of Agrochemicals</i>)
APEC	Asia-Pacific Economic Cooperation
ASC	Alianza Social Continental (<i>Hemispheric Social Alliance</i>)
ASEXMA	Asociación de Exportadores de Manufacturas y Servicios (<i>Association of Exporters of Manufactured Goods and Services</i>)
ATC	Asociación de Trabajadores del Campo (<i>Rural Workers' Association</i>)
ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Promotion and Drug Eradication Act
BAC	Banco de América Central (<i>Central American Bank</i>)
BANADES	Banco Nacional de Desarrollo (<i>National Development Bank</i>)
BANCENTRO	Banco de Crédito Centroamericano (<i>Central American Credit Bank</i>)
BANPRO	Banco de la Producción
BDF	Banco de Finanzas
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (<i>Brazilian Economic and Social Development Bank</i>)
BRICs	Brazil, Russia, India, China
CAC	Consejo Agropecuario Centroamericano (<i>Central American Agricultural Council</i>)
CAMEX	Chamber of External Trade, Brazil
CAN	Comunidad Andina (<i>Andean Community</i>)
CBI	Caribbean Basin Initiative
CBRA	Caribbean Basin Recovery Act
CCS	Cámara de Comercio de Santiago (<i>Santiago Chamber of Commerce</i>)
CCSCS	Coordinadora de Centrales Sindicales del Cono Sur (<i>Coordinating Group of Union Centres of the Southern Cone</i>)
CEES	Comité de Empresas Exportadoras de Software y Servicios (<i>Committee of Software and Service Exporting Firms</i>)
CENIDH	Centro Nicaragüense de Derechos Humanos (<i>Nicaraguan Centre for Human Rights</i>)
CIPCA	Centro de Investigación y Promoción del Campesinado (<i>Centre for Peasants' Research and Development</i>)
CMG	Common Market Group
CONALCAM	Coordinadora Nacional por el Cambio (<i>National Coordination for Change</i>)
CONALDE	Consejo Nacional Democrático (<i>National Democratic Council</i>)
CONLUTAS	Coordenação Nacional de Lutas (<i>National Struggles Coordination</i>)
CORFO	Corporación de Fomento de la Producción (<i>Production Development Corporation</i>)
COSEP	Consejo Superior de la Empresa Privada (<i>Supreme Council for the Private Sector</i>)
CST–JBE	Central Sandinista de Trabajadores–José Benito Escobar (<i>Sandinista Workers' Centre–José Benito Escobar</i>)
CUT	Central Unica dos Trabalhadores (<i>Central Workers' Union</i>)
DDA	Doha Development Agenda
DEA	US Drug Enforcement Agency
DEIS	Desarrollo Exportador con Inclusión Social (<i>Export Development with Social Inclusion</i>)
DIRECON	Dirección General de Relaciones Económicas Internacionales (<i>General Directorate for International Economic Affairs</i>)
DR–CAFTA	Dominican Republic–Central American Free Trade Agreement
ECLAC	Economic Commission for Latin America and the Caribbean
ESCF	Economic-Social Consultative Forum
EU	European Union
EZLN	Ejército Zapatista de Liberación Nacional (<i>Zapatista Army for National Liberation</i>)
FCEM	Fondo de Convergencia Estructural del MERCOSUR (<i>Fund for Structural Convergence of MERCOSUR</i>)
FDI	foreign direct investment
FEDSALUD	Federación de los Trabajadores de la Salud (<i>Health Workers' Federation</i>)

FENACCOOP	Federación Nacional de Cooperativas Agrícolas y Agroindustriales (<i>Nacional Federation of Agricultural and Agroindustrial Cooperatives</i>)
FSLN	Frente Sandinista de Liberación Nacional (<i>Sandinista National Liberation Front</i>)
FTA	Free Trade Agreement
FTAA	Free Trade Agreement of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IBCE	Instituto Boliviano de Comercio Exterior (<i>Bolivian Institute for International Trade</i>)
ICTSD	International Centre for Trade and Sustainable Development
IFI	international financial institution
IHEID	Institut de hautes études internationales et du développement (<i>Graduate Institute of International and Development Studies</i>)
IMF	International Monetary Fund
Iniciativa	Iniciativa Mesoamericana de Comercio, Integración y Desarrollo (<i>Mesoamerican Initiative for Trade, Integration and Development</i>)
CID	
IPR	intellectual property right
ISI	Import Substitution Industrialization
IUED	Institut Universitaire d'Etudes du Développement
LAC	Latin America and the Caribbean
MAI	Multilateral Agreement on Investment
MAS	Movimiento al socialismo (<i>Movement Toward Socialism</i>)
MERCOSUR	Mercado Común del Sur (<i>Southern Common Market</i>)
MFN	most favoured nation
MRS	Movimiento de Renovación Sandinista (<i>Sandinista Renovation Movement</i>)
MST	Movimento dos Trabalhadores Rurais sem Terra (<i>Landless Workers' Movement</i>)
NAFTA	North American Free Trade Agreement
NEM	New Economic Model
NGO	non-governmental organization
NPE	Nueva Política Económica (<i>New Economic Policy</i>)
ODA	Official Development Assistance
PDRR	Programa Dialogo Regional Rural (<i>Regional Rural Dialogue Programme</i>)
PDVSA	Petróleos de Venezuela
PND	Plan Nacional de Desarrollo (<i>National Development Plan</i>)
PPE	Proyectos de Promoción de Exportaciones (<i>Export Promotion Projects</i>)
PPP	purchasing power parity
PROCHILE	Programa de Fomento a las Exportaciones Chilenas (<i>Chilean Export Promotion Bureau</i>)
PROFOS	Proyectos Asociativos de Fomento (<i>Associative Promotion Projects</i>)
PSDB	Partido da Social Democracia Brasileira (<i>Brazilian Social Democracy Party</i>)
PT	Partido do Trabalho (<i>Workers' Party</i>)
REAF	Reunión Especializada sobre Agricultura Familiar (<i>Specialized Meeting on Family Farming</i>)
REM	Reunión Especializada de la Mujer (<i>Specialized Meeting of Women</i>)
S&DT	special and differentiated treatment
SAT	Sector de Asesoría Técnica (<i>Technical Advisory Service</i>)
SEP	Strategic Economic Partnership
SME	small and medium enterprise
SNA	Sociedad Nacional de Agricultura (<i>National Society of Agriculture</i>)
SOFOFA	Sociedad de Fomento Fabril (<i>Federation of Chilean Industry</i>)
SPP	Security and Prosperity Partnership
TCP	Tratado de Comercio de los Pueblos (<i>People's Trade Agreement</i>)
TNC	transnational corporation
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNAG	Unión Nacional de Agricultores y Ganaderos (<i>National Union of Farmers and Ranchers</i>)
UNASUR	Unión de Naciones Sudamericanas (<i>Union of South American Nations</i>)
UNCTAD	United Nations Conference on Trade and Development
UNE	União Nacional dos Estudantes (<i>Students' National Union</i>)
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
WSF	World Social Forum
WTO	World Trade Organization

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Summary/Résumé/Resumen

Summary

The classical coordinates of trade and development in Latin America, which centred on the trade liberalization versus protectionism dichotomy, have changed significantly during the past decade. Instead, a complicated cartography of trade regimes and processes of regional integration has emerged. This paper examines the political and economic context and factors that explain this shift, paying particular attention to the failings of orthodox neoliberalism, the so-called turn to the Left via electoral politics, and the rise of non-state actors in influencing the policy process. It also considers the implications of changes in trade and regional integration policy, as well as in power relations, for inclusive development.

Part I examines how the changing ideational and structural conditions in Latin America are pushing beyond the classical debate concerning trade and development in the region. It maps out the variety of trade regimes that have come to the fore and conceptualizes the role of non-state actors in this new landscape. As a basis for examining the implications of contemporary trade and regional integration policy for inclusive development – which follows in Part II – this section also introduces the discussion of “policy space” and “policy coherence”: two principles that have gained currency in international knowledge networks as being crucial features of policy processes conducive to inclusive development. Against the backdrop of neoliberal policies that were reinforced through donor conditionality and that initially marginalized social policy, the term “policy space” refers to the ability of governments to craft strategies and policies that are in tune with national development priorities, while “policy coherence” is taken here to refer to economic and social policies that are complementary and conducive to inclusive development.

Part II contains case studies of Bolivia, Brazil, Chile and Nicaragua that examine the dynamics of trade and development policy and policy making, and reflect on their implications for policy coherence and policy space. While these case studies reveal considerable variations in the application of neoliberalism at the country level, they illustrate the ideological decline of the Washington consensus in Latin America, the gradual comeback of the state in development strategy, and an increasing demand from civil society actors for redistributive policies that can translate economic growth into tangible development benefits and poverty eradication.

These changes are consistent with the turn to the Left. It is important, however, to nuance such a characterization. While contemporary strategies not only combine market and developmentalist approaches, the characterization of “two Lefts” in Latin America – exemplified by the moderate Chilean Concertación and the government of Evo Morales in Bolivia – is losing its heuristic power in relation to trade regimes. By weaving together free trade agreements and different regional initiatives centred on a variety of South-South relations, Latin American countries are pushing beyond the bipolar trade logic implicit in this characterization.

Democratization has fostered hybrid models whereby countries in the region accept the reality of economic liberalization, which is enshrined in conventional trade agreements, but also look to alternative institutional and policy arrangements to minimize the contradictory effects of economic liberalization and promote more inclusive patterns of development. Such complementarities are apparent in various policy arenas, including the strengthening of some features of the developmental welfare state and regional and national social policy, as well as South-South cooperation.

Averse to the asymmetries of multilateralism, Bolivia is attempting to combine the alter-globalization model of the Bolivarian Alliance for the Peoples of Our America (ALBA) with the more orthodox South-South integration schemes of the Andean Community (CAN) and the Southern Common Market (MERCOSUR). Brazil combines multilateralism with an attempt to

pursue regionalism through MERCOSUR, which is not only an economic, but also a political and social project. In the case of Chile, the strategy of simply expanding the number of free trade agreements worldwide appears to be reaching its limits, with the country having to look to regional integration in order to secure conditions for economic and social development. Nicaragua, like Bolivia, is pursuing an unusual hybrid—"CAFTALBA"—seeking complementarity by combining a free trade agreement with the United States (the Dominican Republic–Central America Free Trade Agreement/DR–CAFTA) with South–South integration in ALBA.

Discursively and conceptually such arrangements seem to bode well for policy space and certain dimensions of policy coherence. However, various structural, institutional and political constraints are apparent. In Bolivia there has been an attempt to increase the government's policy space and achieve greater coherence between the normative vision of alter-globalization (ALBA) and the export-oriented growth possibilities of conventional liberalization (CAN and MERCOSUR). The country's small economy and its history of instability are serious impediments to this ambitious new developmentalist project. To achieve its trade and development objectives, the Morales administration must successfully negotiate an increasingly complex and volatile "two-level game" between, on the one hand, polarized domestic business and civil society actors, and, on the other hand, polarized visions of trade within CAN.

In Brazil, the technocracy, a resurgent parliament and electoral competition have played an important role in relation to policy space and coherence. But organized business interests, historically quite fragmented, are mobilizing, uniting and lobbying to greater effect. This development may serve to moderate rent-seeking demands, but it also suggests certain limits to the strengthening of the normative and regulatory framework for inclusive development, particularly in a context where those sectors of civil society—or countervailing powers—that are supportive of more inclusive patterns of development (such as social movements) remain fragmented.

Chile confronts the challenge of not only having to manage constraints on policy space that are locked in through numerous free trade agreements, but also those that give the political allies of neoliberalism and big business undue weight in the legal and policy process. In Nicaragua, the ideological melange inherent in DR–CAFTA and integration in ALBA illustrates the unconventional paths to trade and integration that are currently emerging in Latin America. DR–CAFTA locks in certain constraints on policy space and its distributional effects favour very specific sectors of business. By emphasizing principles of solidarity and equity both within and between countries, policy space and the balancing of economic and social dimensions of development have become the central objectives of ALBA although, in practice, various questions have arisen with regard to governance and sustainability.

Latin America is once again embarked on a transition that could have major implications for economic and social development. The current diversity of trade and development regimes.

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