

BAKER INSTITUTE STUDY

PUBLISHED BY THE JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY OF RICE UNIVERSITY

No. 5



DECEMBER 1997

THE AMERICAS PROJECT

FREE TRADE AND REFORMS IN THE HEMISPHERE

AS THE COLD WAR RECEDES FROM MEMORY, HEMISPHERIC RELATIONS HAVE BECOME INCREASINGLY DOMINATED BY ECONOMIC, SOCIAL, AND CULTURAL ISSUES. AT THE SAME TIME, MANY INDIVIDUAL COUNTRIES IN THE REGION HAVE MOVED TO OPEN UP THEIR ECONOMIES, BOTH INTERNALLY THROUGH A REDUCTION IN THE ROLE OF THE GOVERNMENT, AND EXTERNALLY THROUGH THE GROWTH OF FREE TRADE. PARTICIPANTS IN THE AMERICAS PROJECT MET TO DISCUSS THE ECONOMIC AND NONECONOMIC IMPLICATIONS OF FREE TRADE, NOTING BOTH THE POSITIVE AND NEGATIVE ASPECTS.

The Implications and Consequences of Free Trade and Reform

The seminar participants agreed that free trade is an important instrument for progress in the hemisphere. But there were some concerns that not all of the effects of free trade were positive and that efforts should be made to minimize or eliminate these negative factors. As well, some trepidation was expressed about the role of the United States in the hemisphere.

Misgivings about the negative effects of free trade centered on what can happen when economic actors of very different sizes interact. Some participants worried that the sheer economic size of some countries in the hemisphere would distort the economies of the smaller states. The result would be to leave the smaller countries economically dependent on the larger ones for basic economic needs. Other participants foresaw a similar effect within countries, as some segments of the domestic economy (those connected to the hemisphere through imports or exports) might overwhelm others. Finally, it was noted that greater attention

should be paid to the impact of trade and economic growth on local culture and customs. Decisions based only on economic cost/benefit analysis can have a serious and negative impact on the lives of individuals in various locales.

Participants also expressed concern about the impact of the United States on the hemisphere. First of all, there was a question as to whether the United States has a strategic concept or approach to the hemisphere. It was noted that President Franklin Delano Roosevelt had a strategic approach toward the region in that his policies addressed human and financial capital in coherent terms. For most of the post-World War II era, United States policy towards the hemisphere was seen through the lens of the Cold War. The end of that conflict has rendered that particular viewpoint irrelevant, but the United States has not articulated an alternative framework largely beyond the promotion of trade and commerce.

Currently, three specific issues appear to top the U.S. agenda in the region: narcotics trafficking, immigration, and Cuba. Participants strongly felt that while each issue should receive attention, the problem of narcotics trafficking must be approached from both the consumer (United States) and supplier sides (the producer countries). This is not a one-way street, a point of view summed up with the question of "who will certify the decertifiers?" Policy on immigration should recognize that these labor flows are, in part, stimulated by the needs of the recipient country. Finally, on Cuba, serious consideration should be given to fostering the forces of democratic change in Cuba through a policy of selective engagement. However, none of these three issues should be allowed to become the sole focal point of United States policy.

As well, the United States and the rest of the hemisphere have to address the difficulties that are created by the interaction of the unilateral approach of the United States with the multilateral approach of the rest of the states in the region. Environmental and human rights issues especially need to be framed with this juxtaposition in mind.

Hemispheric countries must make an all-out effort to tackle the issue of corruption in their societies, especially when corruption influences public policy in structural terms. Critical to this task is to reduce and then eliminate the legal and political impunity that corruption enjoys in a variety of societies. Representative democracy must be strengthened to facilitate progress towards this goal.

Participants endorsed the conclusions of the Summit of the Americas, and were particularly insistent that a "one size fits all" approach would not work in the hemisphere. For example, many countries are faced with a delicate balance between promoting free trade while preserving the traditional culture and values of their societies. Although there is no easy solution to this problem, education is critical both to explaining the positive benefits of free trade and to preserving culture and society. Finally, failure to give the Clinton administration fast-track authority undermines the U.S. position in negotiations, and raises serious questions as to whether the U.S. can deliver on its promises.

Civil Society and Social Responsibility

The focus of this seminar was the role and obligations of actors, both inside and outside of individual countries, in the pursuit of development and the expansion of free trade. The discussion ranged over the role of local business, governments, foreign assistance, foreign corporations, the media, and the political system. All participants recognized the interaction between the manner in which societal factors have an impact on the economy and how the economy and economic development can have significant effects on society.

Local business must recognize that its social role extends beyond producing goods, investing capital, and employing workers. Businesses bear significant responsibilities for environmental protection, the pro-

motion and preservation of local culture, and worker training. Within this broader framework, business can be a positive force in each country of the hemisphere while at the same time creating wealth and promoting free trade and its benefits.

Reiterating a theme of the first session, the proper role of government will vary from country to country (i.e., one size does not fit all). But there is a common foundation that every government must provide. This common foundation encompasses the functions of public security and defense, justice, foreign policy, public finance, education, public health, and taxation. Government must also support a variety of critical non-market-related activities, including the preservation and enhancement of local culture and providing basic services for the poor. Encouraged by and supporting the trend away from direct government involvement in the economy, participants agreed that whenever possible, governments should fulfill their roles by regulation, not by production or other means of direct involvement in economic activity.

Foreign assistance is a necessary component of any plan to encourage the growth of free trade. The goal of this assistance is to strengthen the institutions of justice, finance, and public security. Assistance must also be delivered in a manner that is sensitive to issues of sovereignty and local culture and customs.

The best investment that can be made to enhance a country's future and to build the infrastructure and commitment that is needed to expand free trade is to improve the quality of the country's educational system. This would also help to preserve local cultures and traditions within each country and carry them on to the next generation.

Corporations, whether based within countries or as part of a greater multinational enterprise, cannot simply strive to maximize profits. For example, they should utilize the highest viable standards in protecting the environment. They should abide by all laws and actively work to serve the general welfare of the communities where they operate.

Free press and media have a special responsibility. They serve as an important information conduit for the citizens of their countries. But beyond that, they have a responsibility to inform their audiences about neighboring countries and to convey the same information to citizens of other countries. There needs to

be a greater emphasis on the analysis and interpretation of social, political, and economic events, rather than just reporting what has happened. It is in this way that citizens throughout the hemisphere can learn about the cultural, social, economic, and political interdependence within the region as well as the events and trends that effect all the people in the hemisphere.

In the long run, the hemisphere cannot rely solely on increases in economic welfare to bring prosperity to the region. Political reform and democratization have to be a continuing high priority for the national leadership of each country,

nongovernmental organizations, foreign assistance agencies, and concerned citizens throughout the hemisphere. Reform and democratization include a number of equally important elements: increasing political participation, representation, a free press, and protection of citizens' rights in an independent judicial system.

Public Service and the Private Sector

Historically, there have been major differences across countries in the roles of the public and private sectors. Of course, this was a major focus of debate between the capitalist and communist countries in the Cold War but is more than just a debate between these two ideologies. Until recently, regardless of the form of political system, many countries in the region allocated a large role to the public sector. But with the demise of the Cold War, many countries in the hemisphere have moved to allocate a smaller role to the public sector in their economic sphere. Participants were generally in favor of this trend.

Participants agreed that most business and social activities can be effectively and efficiently provided by the private sector. This conclusion even extends to those activities that have been under the control of the state for a long period of time. However, it should not be assumed that any public sector activity should automatically be shifted to the private sector. This question must be examined on a sector-by-sector basis, and consideration must be given to the means by which the shift should be achieved.

Although it is limited in comparison to historic trends, there is still a role for the public sector in the

countries of the hemisphere. As was noted in each of the first two seminars, public finance, national security, and the conduct of state-to-state relations remain critical functions of the public sector. In addition, for some economic sectors in some states, there may be social or security rationales for maintaining state ownership. But this should be the exception rather than the rule. Reducing the role of the public sector in states across the hemisphere has an additional benefit beyond the standard one of removing poor public management of economic resources and replacing it with higher-quality private management. In the past, public sector management has been associated with a high degree of political patronage and "rent seeking." Shifting economic responsibility to the private sector will reduce these efficiency losses.

There are many activities within countries that have both public and private elements; in some cases, the distinction between the two sectors has become blurred. The social sector, in particular, is one in which critical functions cannot be totally provided by either the public or private sector separately. An effective balance between the two would provide the highest level of welfare for society.

To obtain the increased benefits of privatization, it is not sufficient simply to sell off or turn over assets to the private sector. Strong regulatory schemes must be in place to ensure that privatized enterprises perform efficiently and effectively. This requires that political institutions must be modernized and democratized. As well, regulation should encourage competition among private sector firms. This is a major challenge due to the long history of public sector involvement in the economies of most countries of the region.

There is another significant barrier to successful privatization: resistance by the public. Privatization must be done in a transparent manner, otherwise the process will generate a high level of mistrust among the public. There is already a general mistrust of privatization due to a fear of self-interested behavior by business firms, especially foreign firms. This fear is one of the reasons that the participants noted in the second seminar that these firms must do more than try to maximize profits. Many in the public feel that companies display little concern for the social welfare of the nations in which they operate. Greater attention to communicating accurate information to the

public-especially through the education process-is critical, but so are actual deeds by firms that display a concern that goes beyond profits. As noted above, private-sector media can play an important role in this process. The picture of the perspective of the public is not completely negative; the public is tired of paying high prices for the poor quality goods and services offered by state enterprises.

The role of culture in society is very important, and government has a critical role to play in the promotion of various cultural activities. It should promote an awareness of the arts and provide both funding and links to other sources of funding for the arts. To the maximum extent possible, government should provide funds directly to the creators of the arts, reducing to a minimum administrative overhead and bureaucracy. Government should also provide incentives to private firms and individuals to support the arts; for example, through tax breaks.

Government support for the arts is critical in order to preserve and sustain the local culture of individual countries throughout the hemisphere. As was noted at various points in the discussion, there are many fears that increasing economic prosperity and interdependence through the region will result in an homogenization of the culture, with heavy dominance by the larger countries in the region. An active role by the government can preserve, sustain, and nurture those unique cultural elements within each country.

Keynote speakers at the Americas Project were César Gaviria, secretary general of the Organization

of American States; Carlos Fuentes, noted author and ambassador; Henry Cisneros, president and chief operating officer, Univision Communications, Inc., former secretary of housing and urban development, former mayor of San Antonio, Texas.

Participants of the Americas Project were Cleophas R. E. Adderley, director of culture, Ministry of Youth and Culture, Bahama; Luz Maria Bobadilla Medina, classical guitarist, Paraguay; Mauricio Cardenas Santa Maria, executive director, FEDESAR-ROLLO, Colombia; Wayne Chen, chief executive officer, Super Plus Food Stores, Jamaica; Alissandra Cummins, director, Barbados Museum and Historical Society; Mauricio Gonzalez Sfeir, secretary of energy, Bolivia; Alejandro Lorenzo, general manager, Gold Mills de Panama; Fernando Kasinski Lottenberg, legal department, FIESP, Brazil; Armando J. Mayorga, information editor, Periodico La Nacion; André Ricardo Menezes de Oliveira, project assistant, Odebrecht Foundation, Brazil; Felipe Michelini Delle Piane, national representative, National Parliament of Uruguay; and Beverly Ann Smith-Lopez, director of culture, Belize Arts Council.

Moderators were Cresencio Arcos, Jr., regional vice president for international public affairs, AT&T; Peter S. Cleaves, professor, Department of Government and the Institute of Latin American Studies, University of Texas at Austin; and Douglas A. Schuler, assistant professor of management, Jesse H. Jones Graduate School of Administration, Rice University.

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The Baker Institute Study is printed on recycled paper.

This publication has been made possible through the generous support of The Cullen Foundation.



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