

---

## **The Political Economy of Trade Policy in Latin America and the Caribbean**

### **A Project of the Latin American and Caribbean Research Network**

During the late 1980s and 1990s, it seemed like Latin America had embarked on a long-term process of market-oriented reforms. The pace and depth of reform varied from country to country, but the general direction seemed quite clear. Trade policy gradually shifted, in most countries, from protectionism to integration into the global economy, opening the domestic markets to foreign competition while seeking better access to foreign markets for local producers.

However, the pace towards open markets has not been steady. Even countries that went a long way towards opening domestic markets made important exceptions for sectors that were deemed worthy of special protection. In some cases, periods of liberalization were followed by policy reversals, including tariff increases and the pervasive use of instruments like antidumping, import license requirements, and quantitative restrictions on imports.

Few issues generate more widespread agreement in the economics profession than the idea that countries gain from trade. Yet economists also agree that trade produces winners and losers. Moreover, losers are sometimes powerful and have the incentives, the financial resources and often the political access to defend their interests. In this context, trade policy becomes the outcome of a policymaking game in which different actors, both public and private, participate actively.

For this reason, understanding trade policy requires an understanding of the constellation of actors that are involved in the trade policymaking process. It requires an understanding of their interests and the way they play the game. It also requires a better understanding of the social arrangements, the institutions, the configurations of power and the organizations of the state that define the rules of the policymaking game and the arenas in which it is played. Contributing to this understanding of the political economy of trade policy is the main objective of this research project, as well as the country studies that compose it.

### **Coordinating Team:**

Jorge Cornick (External Advisor)

Jeffrey Frieden (External Advisor)

Mauricio Mesquita Moreira (Advisor)

Ernesto Stein (Technical Coordinator)