

Chapter 3

The Case of Argentine Research in Building Regional Integration

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By the mid 1980s, the Argentine government had launched a process of trade liberalisation that would not be reversed in the future. This decision was framed within the political guidelines — conditionalities — demanded by the World Bank in order to release the loans the country needed to manage its foreign debt difficulties. However, within these broad guidelines, Argentina, as was the case with borrowing countries in general, still had ample freedom of action in terms of both strategic and contingency decisions, as when deciding to opt for either a unilateral liberalisation process or a negotiated one, when privileging a project involving deep integration or mere trade initiatives, or when choosing to establish bilateral agreements with border or with northern countries. In sum, options were not limited.

The novelty and complexity of each of these definitions opened a window of opportunity for the influence of knowledge and academic research. Through their participation in the decisional process, academics could bridge the gap in terms of the uncertainty posed by these new challenges and make a contribution to prevent or avoid the unwanted costs of the reforms, such as those brought about by trade liberalisation.

Political and academic literature has strongly debated the impact of ideas on the decisional process since the early days after the Second World War. Two paradigms have emerged. While the first approach argues that social researchers play a crucial role in the rationalisation of the decision-making process, the second one, which assumes a rather sceptical vision of this relationship, portrays the decisional process as chaotic and decisions as being the result of mutual adjustments among the different actors and arenas. Using this second paradigm, this chapter claims that researchers are only one of the agents involved in the decision-making process, endowed with a specific type of knowledge — namely, scientific knowledge — and their influence depends on their rivalry or imbrications with the knowledge of other local actors.

The chapter thus evaluates to what extent social research has influenced the trade policy-making process since the re-establishment of democracy in Argentina in 1983, highlighting the factors that promoted the impact of such studies on trade policy. Hence, this research emphasises those least-known or least-publicised aspects of the trade policy by focussing on the processes, actors, and capabilities that have had an impact on decision making.

Building on the current debate about the nexus between knowledge and politics, this chapter analyses two processes of influence. The first, which can be characterised as a successful case, refers to the establishment of the capital goods protocol (CGP) signed with Brazil during the initial period of tariff preferences negotiation (1985 to 1988) and part of the Programme of Economic Cooperation and Integration (Programa de Integración Comercial y Económica [PICE]). The second episode, by contrast, is portrayed as a failed case: the negotiation of the common external tariff (CET) between 1991 and 1994, where, in spite of the technical complexity of the issue at stake, research and knowledge did not have a prominent role in the decision-making process.

Apart from focussing on these two policy episodes and inquiring about how research has contributed to their actual implementation, this analysis is intended to identify the type of knowledge produced, the articulation established with policy makers, and the factors that either promoted or hindered its use in the policy process. The information and data presented are based on secondary sources and the analysis of 18 interviews conducted with policy makers and researchers in the field of foreign trade, representing both private and public research centres, and who were directly involved in the process under the administration of either Raúl Alfonsín (1983–89) or Carlos Menem (1989–99), or both.

This chapter is structured in four parts. The first identifies the contributions to the literature in terms of the conceptual and methodological definitions. The second and third sections delve into the analysis of both

episodes of policy change and focus on the research-policy relationship. The fourth section offers a comparative assessment of the field research and an initial impact evaluation. Finally, the conclusion presents the main lessons derived from both cases.

Literature Review and Concept Definition

Interest in the role of ideas and academics in the decision-making process is not new, and the impact of ideas on the decision-making process has been strongly debated in the political and academic literature since the post-war period. Two main paradigms can be identified regarding the role of social researchers — taken as knowledge producers — in the public decision-making processes (Brunner and Sunkel 1993).

The first of these paradigms, the engineering model of information use, which is part of the policy-making theory developed during the 1950s in the United States, promotes a favourable attitude toward social and political engineering. Its main argument is that researchers play a fundamental role because they provide the necessary knowledge and instruments for the rationalisation of the decision-making and coordination processes. In other words, they provide the empirical evidence that clarifies doubts and reduces the uncertainty brought about by policy reform. Four phases are identified, on the assumption that the decisional process is linear and incremental. In each of these phases, one main actor is responsible and stamps its own activity specificities and particular characteristics on the process.

While this first approach argues that social researchers play a key role in the rationalisation of the decision-making process, the second paradigm assumes a rather sceptical vision and characterises the decisional process as mainly chaotic. From this perspective, decisions are the result of mutual adjustments among different players and the diverse arenas where they interact. Within this ‘building blocks’ game, researchers are just another player, endowed with a very specific type of knowledge — namely, scientific knowledge — and their influence depends on their interaction with the knowledge of other local actors.

The engineering model of information use, which argues that the produced information fits into the decision to be made, has thus been superseded by an approach based on the idea that there are multiple decision-making arenas and that various actors are involved in this game, endowed with only partial information and local knowledge. These actors include social researchers and academics, whose knowledge — based on scientific rules — is only one of the many competing sources of information. However, arguments are put forward in the sense that only in exceptional cases does empirical research produce a direct, instrumental, and clearly identifiable impact on the decision-making process. On the contrary, in most cases, the decisional process is diffuse and lacks a concrete order of stages; in fact, routine governs. Hence, if research and information do have an impact, it is only indirect. This is what has been called ‘the enlightenment function of research’ (Weiss 1977), which illustrates the idea that knowledge gained by means of research provides a diffuse enlightenment function and broadens the existing knowledge base of policy makers. As long as it offers an understanding and interpretation of the data and the situation that are critical to the policy decision, research may lead to a gradual shift in concepts and paradigms. In other words, Carol Weiss’s (1979) enlightenment model highlights the role of research as clarifying, accelerating, and legitimising changes in conceptual thinking and, therefore, in policies.

When social research influences the decisional process, this is because it is just another knowledge or area of expertise. Moreover, this influence takes place in decision-making arenas already informed by other kinds of previous local knowledge — i.e., partial information, anecdotes, and accumulated experiences and practices, among others — used by the wide range of players involved in the process as soon as they implement their own strategies. Within this context, social scientific knowledge can have some limited influence on the decision-making process only by establishing competition with previously provided local knowledge and information. In most cases, the influence of research may lead to the construction of a framework consisting of empirical generalisations and ideas that can then be absorbed by policy makers in a rather unconscious manner.

The second research paradigm appears to be more realistic than the first. Based on the idea that knowledge and academia diversify rapidly, it argues that it is difficult to identify ‘social researchers’ as a clear and homogeneous social and professional group. Their specificity is not given by their belonging to a particular institution such as university. Instead, it is their experience and technical knowledge on certain issues that determine their specific character (Restier-Melleray 1990, 546).

In terms of the scope of this research, three concepts require a more precise definition: academia, policy change, and research influence.

Certainly, academia may be an elusive concept. The analysis in this chapter, with its focus on the influence of local academia on trade policy decisions, will revolve around the production — knowledge — of local academia, rather than on the ideas and findings produced by epistemic communities as defined by Peter Haas (1992). Academia operates as an actor, whose peculiarity is the production of knowledge according to rules, evidence, and positive — empirical — and scientific criteria, based on measuring and contrasting.

The general working definition here is based on a broad characterisation of academia, rather than on the idea that academia belongs or is confined to a specific ambit or production place, such as university. Clearly, this type of knowledge is currently quite dispersed across diverse circles, and academics are increasingly being appointed as service providers by other actors and institutions. Thus, in order to apprehend the concept of academia, the main changes in terms of its area of action and activities must be made explicit. As far as the area of action is concerned, and in the context of trade policies, academics can now be found within think tanks and as consultants and experts in the broader social and political community: ministries of the economy and foreign affairs and different public agencies, parliament, business sectors, domestic and international non-governmental organisations (NGOs), as well as international organisations, among others. In terms of their activities, the traditional characterisation of social research seems inadequate in the face of the new challenges imposed by policy making today. In this sense, Robert Reich’s (1991) concept of ‘symbolic-analytical services’ turns out to be of great utility, given that it includes a whole set of activities regarding the identification, solution, and arbitration of material problems and disputes by means of the manipulation of knowledge.

In sum, a vast amount of academia revolves around the notion of ‘actress’, both in the private field and in the public field. However, within the realm of academic and scientific research, the information and knowledge that are produced to influence on public policies is of concern here.¹ The focus is on policy-oriented intellectual and academic production. This leads to a second key concept in the analysis.

Policy change refers to the particular ambit or context where the impact of academic research is actually measured. Here the analysis will rely mainly on the categorisation put forward by different authors who distinguish between instrumental and conceptual changes in policy (Caplan 1979; Chudnovsky and Erber 1999; Davies et al. 2005; Neilson 2001; Weiss 1991). Building on this literature, the impact of academic research may be either instrumental or conceptual.² Instrumental changes are brought about by small and incremental transformations in policy issues and practices. Clearly associated with micro-level decisions, these changes are limited to the day-to-day policy issues and are mainly concerned with ‘bureaucratic management and efficiency rather than substantive policy issues’ (Caplan 1979, 462). On the contrary, conceptual changes lead to more gradual shifts in terms of policy makers’ knowledge and understanding of certain issues, and are related to macro-level decisions involving key policy matters.

Nevertheless, this distinction must be understood as an ideal type because reality is often far more complex and changes to policies may fall somewhere on this spectrum (Tussie 2006). Moreover, in most cases, the impact of research and information on the policy process is indirect. Here, the diffuse enlightenment function of research turns out to be of interest in order to overcome the idea that policy makers only resort to research and academia in an instrumental manner — to apply data, statistics, and facts to their policy decisions — and to highlight that knowledge or research utilisation is built on a gradual shift in conceptual

¹ See the concept of post-academic research in the introduction of this volume.

² To learn more on the difference between instrumental and conceptual policy changes, please see the introduction of this volume.

thinking over time. Nevertheless, this broad double categorisation offers an appealing departure for the examination of both episodes of policy change.

Assuming that research is only one of the many competing sources of information policy makers can make use of, and one of the various factors that affect the final policy decision (Garrett and Islam 1998; Tussie 2006), this chapter argues that the availability of research and ideas does not translate directly into policy change. In other words, the research-policy link is not direct, and ideas only influence policy decisions under certain circumstances. In order to capture those circumstances, it is important to understand how the production of research and the policy process interact in a particular context. Specifically, policy influence is defined here as the result of a process where three conditions must be present: the availability of research or the 'production of knowledge', its articulation with the stakeholders and mainly with decision makers, and, finally, the political will of decision makers to make use of it.

Building on the current debate regarding the nexus between research and policy making, and the factors that contribute to this relationship, this chapter analyses two episodes of policy change within the Mercado Común del Sur (Mercosur) and the integration process initially launched by Argentina and Brazil: the CGP, signed within the PICE in 1987, and the CET established in 1994. The selection of these cases is based on the importance of both decisions within the broader process of trade liberalisation initiated by Argentina in the mid 1980s. While the CGP stands out as the first step toward liberalised trade between Argentina and Brazil — although that liberalisation remains a negotiated and highly controlled opening intended to constitute an agreement of economic complementarity — the negotiation of the CET implies a crucial move toward the establishment of the customs union within Mercosur. In addition, the CET constitutes a fundamental decision. On the one hand, it worked as a lock-in device, limiting the governments' autonomy in terms of their domestic trade policies. On the other hand, it complemented internal trade liberalisation while, at the same time, moved toward reducing Mercosur external barriers. Furthermore, both decisions were taken by two different governments: whereas the first democratic government led by Alfonsín signed the PICE, the CET was established by the following administration, headed by Menem.

The next two sections explore the research-policy relationship regarding the design and implementation of the CGP and the CET, taking into account three conditions: the existence of research, its articulation with policy makers, and the political will or at least the possibility of putting this research into practice or the possibility of its utilisation. Based on the assumption that the research-policy relationship is neither linear nor automatic, and that it entails a highly complex and dynamic two-way process (Tussie 2006), these case studies focus on two particular instances of policy change to deepen the understanding of the dynamics of the political process and assess the importance of the different factors that have contributed to these instances of policy change.

A First Move toward Trade Liberalisation: Alfonsín and the Capital Goods Protocol (1987–89)

In the mid 1980s, and after having implemented an inward-oriented development model for more than 50 years, Argentina began slowly but steadily to open its economy to international trade through the promotion of multiple strategies that combined unilateral opening and trade negotiations both at the regional and multilateral levels.

During the initial phase of the first democratic government led by Alfonsín, strict austerity and market-liberalising measures were resisted. In time, this resistance would be superseded by a different vision. In 1985, the newly designated Ministry of Economy, led by Juan Sourrouille, launched the Plan Austral, an economic programme that called for restructuring public companies and liberalising trade. Nevertheless, the decisive and final implementation of trade liberalisation as a unilateral policy started only in 1988. Two factors explain this. The first refers to the so-called Canitrot Reform, and the second to the relationship between Argentina and the International Monetary Fund (IMF) and the World Bank, which would play a more definitive role in shaping the reform policy in Argentina, particularly in terms of trade policy, public sector reform, and privatisation. Moreover, the discussions with the World Bank gave the economic team

and policy makers a solid argument to convince the private sector of the need to move toward trade liberalisation and to overcome their opposition.

It is in this context that the PICE was established in 1986. Together with the Integration, Cooperation, and Development Treaty of 1988 — both signed by the presidents of Argentina and Brazil, Raúl Alfonsín and José Sarney — these two agreements can be seen as the bedrock of the future Mercosur agreement. Based on gradual mechanisms that would be implemented in successive stages, allowing thus for adjustments, the PICE was intended to promote intra-industry trade between Argentina and Brazil and the overall expansion of bilateral trade, without inducing inter-industry specialisation. Sectoralism was a key principle of this initiative. The PICE entailed the negotiation of sectoral agreements to stimulate bilateral trade on the grounds of complementarity and political symmetry, to foster changes in the efficiency of production in key economic sectors through the expansion of bilateral investment flows, and to promote cooperation in areas of critical importance for joint economic development.

Academic Research

The initiative to sign a programme of strategic cooperation and commercial integration was basically of a political nature.

When newly elected president Alfonsín asked both Dante Caputo, the minister of foreign affairs, and Oscar Romero, the undersecretary of international economic relations, to develop an integration project with Brazil, his aim was to put an end to the traditional hypothesis of conflict cultivated between both countries over time. Certainly, regional integration initiatives were not new, but this bilateral initiative was intended to go beyond previous experiences. Apart from the idea of overcoming this old conflict hypothesis, three elements appear to have converged in the mid 1980s to produce a major change in the political and economic environment. In the first place, the processes of political transition and return to democratic rule, with institutional reorganisation in Argentina (1983) and Brazil (1985), created new incentives to redress the bilateral relations. Second, the macroeconomic and regulatory crisis of Argentina and Brazil clearly showed that the development model based on high protection and state intervention was already exhausted. Third, in an international context marked by the expansion of the forces of globalisation and the deepening of the multilateral system, regionalism initiatives appeared to be useful instruments for avoiding marginalisation and, at the same time, enhancing their voice in the international arena. In sum, this initial plan sought mutual economic cooperation as a means to improve bilateral relationships, foster economic growth in the region, and promote a new positioning of the two countries in the international arena. In terms of the type of decision at stake, it is clear that the agreement between Alfonsín and Sarney implied a paradigm change.³

During this first commercial integration initiative, the debt crisis of 1982 played a key role: it promoted closeness between the governments of Argentina and Brazil. Even if the debt crisis and the international financial institutions — the IMF and the World Bank — clearly demanded the initiation of a process of trade liberalisation and the reform of the highly distorted tariff systems, the government opted for a process of deep integration, which, in terms of trade liberalisation, entailed a minimum and negotiated opening with Brazil. The aim was to privilege the development of a productive project.

According to the main actors involved in the process, this option was inspired by the European experience, which appeared as a successful case of regional integration, and by the lessons derived from the failure of previous integration experiences, such as the Latin America Integration Association (LAIA). This is clearly expressed by Carlos Bruno, undersecretary of economic integration, who argued that ‘if we try to develop a model of multilateral integration — such as that of LAIA — we will just develop the minimum common denominator of what we can build together ... if — on the contrary — we choose those countries we consider to be the most dynamic ones — Argentina and Brazil — and we attempt to design a model of integration based on certain sectors of their economies, we will develop a model with a great degree of internal dynamism, and this is the key difference in terms of the traditional model’ (cited in Campbell 1999, 74).

³ Interview with former undersecretary of integration and Mercosur, Ministry of Foreign Affairs.

Both the origin and evolution of this first approach to an integration project with Brazil were surrounded by worries mainly over the damages brought by the association in Argentina given the existing structural asymmetries between the new partners, derived from Brazil's long process of sustained industrialisation during the 1960s and '70s. In order to face these fears, the process would be guided by the idea of gradual integration, through selective and joint projects, advancing at different speeds. Thus it was expected to promote industrial and trade complementarity within each of the sectors, minimising the negative effects on both economies and inducing specialisation in certain lines of production (Lavagna 2001). In terms of the negotiation procedures, the consensus was to adopt a selective scheme, by means of 'positive lists' that specified where commitments were made, rather than making broad commitments and listing exceptions. In addition, an integration process based on gradual schedules and flexible negotiation mechanisms was initiated.

Within this model of deep integration, the capital goods sector was chosen as the 'star' of the PICE.⁴ Given the economic situation of the mid 1980s and the existing structural asymmetries between the economies of both Argentina and Brazil, this sector presented some comparative advantages, just as the European Coal and Steel Community — where those sectors producing basic inputs — represented the first major step toward integration in Europe. In the first place, the capital goods sector was the most dynamic sector of global industry and trade. Second, it could have a multiplying effect throughout the productive structure. Third, it employed a highly qualified labour force. In addition, both countries had a high deficit in this sector, especially Brazil, which at the time was compelled to import from third countries. For Argentina, this represented a unique opportunity because these sectoral agreements would entail the initiation of a process of rapid industrialisation, after the deindustrialisation led by the economic plan headed by former minister of economy José Martínez de Hoz (1976–81). In sum, within these national and regional contexts, the capital goods sector was considered strategic because, in the long term, imports of capital goods would prompt an increase on the productivity of the economy, expanding exports, and fostering growth.

From an intellectual point of view and in terms of the debate that led to the liberalisation process of capital goods and the elimination of non-tariff barriers, the Economic Commission for Latin America and the Caribbean (ECLAC) provided a key report, which was the basis for the PICE.⁵ Two main reasons account for this.⁶ In the first place, and given that most of the members of the economic team had been trained at ECLAC, they shared many of the assumptions and paradigmatic guidelines promoted by this regional organisation. In the second place, and especially regarding the country office in Buenos Aires, ECLAC's experts had undertaken industrial policy as an important area of research.

⁴ The basic components of the PICE included 24 sectoral protocols, signed between 1985 and 1990, which specified the customs categories to which the agreement was to be progressively applied. Initially, there were only 12 protocols. Ten covered economic sectors, such as capital goods, food, wheat, and the iron, steel, and auto industries. The other two had to do with the nuclear industry and aeronautics cooperation. While seven protocols sought to boost bilateral trade in specific sectors — capital goods, wheat, iron and steel, automotive industry, food industry — two more general protocols were intended to promote trade expansion and the complementarity of the food supply. In 1988, there would be 22 protocols in all, and in 1989, there would finally be 24, including issues regarding trade and trade-facilitating measures, scientific and technological development, and infrastructure development, among others. Annexes to each protocol established the list of specific items subject to tariff reduction. All 24 protocols were targeted to expand trade, encourage bilateral investment flows, foster cooperation in areas such as nuclear energy and biotechnology, and facilitate transportation.

⁵ ECLAC was established in 1948 as one of the five regional commissions of the United Nations. Aimed at contributing to the economic development of the region, reinforcing economic relationships among the countries, and promoting social development as well, it had a leading role during the 1960s and '70s, when the region experienced a profound and diverse move toward regionalism. This trend was mainly influenced by ECLAC's philosophy and the ideas of its first secretary general, the economist Raúl Prebisch.

⁶ Interview with Chief of the Office in Buenos Aires, ECLAC.

The private sector was also involved in the design of the macro proposal, but it did not present any concrete written document on the final text of the CGP. Business participation was induced by the government as a way of preventing conflicts and technical difficulties within both administrations. The summoning was immediate after Argentina and Brazil gave the first step toward regional integration, by the end of 1985.

Indeed, at the presidential meeting that took place in Foz de Iguazú in November 1985, Argentina and Brazil agreed to establish a high-level bilateral commission. Composed of government and private sector representatives, this commission was intended to discuss and launch the bilateral integration process. Oscar Romero recalls that this decision was based on the fact that ‘the integration process design and the design of the concrete solidarity scheme between both countries, should not be developed at the grey desk of a bureaucrat or political official; instead this should result from the participation of real actors or economic agents. Both presidents decided to include the most representative private agents, businessmen and business groups from both countries, so that they would not protect the apples, the rice or the meat, but instead would be the individuals capable of helping in the design of the bilateral relationship that we so much needed’ (Campbell 1999, 65).

Once the CGP had been signed, governments embarked in the difficult task of compiling the positive lists of the products and items to be liberalised. This implementation phase involved the direct participation of an external expert, especially appointed by the Argentine government, given the lack of technical knowledge and expertise in this particular area. Only a reduced number of companies, from some highly concentrated sectors and oligopolies (namely, the iron and steel industry and the petrochemical industry), counted with this extremely specialised information and expertise since they had also been part of the negotiations carried out for both the Latin America Free Trade Association (LAFTA) and LAIA. However, these sectors were not included in the agreement.⁷

Daniel Chudnovsky, an academic with no previous experience in public administration, was then appointed for the implementation of the CGP. Chudnovsky’s designation was intended to fulfil two crucial goals, apart from drawing up numbers and comparative statistics regarding the situation of the capital goods sector in Argentina and its potential complementarity with Brazil: to advise policy makers during the negotiations and to persuade producers in the machine tools industries about the feasibility of a productive complementarity agreement with Brazil.⁸ Persuading business groups was not an easy assignment since the positive lists prompted serious fears among Argentine manufacturers, who were concerned by the larger size and greater competitiveness of Brazilian producers (Chudnovsky and Erber 1999). In fact, it demanded an active role and effort to put across these groups the differences between this new integration scheme and the unilateral liberalisation implemented during the 1970s, which had had a terrible and devastating impact on these industries.

With funding provided by the World Bank, the project developed by Chudnovsky entailed the elaboration of positive lists of those items and products that Argentina would offer Brazil during the final round of negotiations. These products would be marketed with a zero tariff and would be free of any non-tariff barriers by January 1987, after the entry into force of the CGP. The final composition of these positive or common lists was determined by the participation of different domestic manufacturers and the acceptance or refusal of each partner’s proposal.

Research-Policy Articulation

As already mentioned, both the idea of promoting a closer relationship with Brazil and the actual first negotiations were articulated inside the Ministry of Foreign Affairs. During this initial stage, negotiations and discussions were mainly political in nature, and handled by the Ministry of Foreign Affairs. Capitalising on the presidential political discourse and mandate, which urged close ties with Brazil and the removal of the old conflict hypothesis from the bilateral relation, policy makers within this ministry —

⁷ Interview with researcher, Centre for International Economics (Centro de Economía Internacional [CEI]) at the Ministry of Foreign Affairs.

⁸ Interview with former director, Centre for Research on Transformation (Centro de Investigaciones para la Transformación [CENIT]).

namely, Oscar Romero and Carlos Bruno, undersecretary of international economic relations and undersecretary of economic integration, respectively — decided to promote a trade agreement between both countries. When asked about the initiation of this process, one of the academic respondents commented that public officials ‘got together as if they were spies organising a command attack, away from the noise; the idea was so awkward that they could not get together in a meeting room as it happens today ... the whole process remained as highly informal. During this first stage, the Ministry of Economy knew nothing about this project; it was mainly focussed on the debt and inflation problems.’

However, in 1985, during the definition of the final design and concrete implementation of the initiative, the Ministry of Economy was assigned the whole responsibility for it. Two reasons explain this decision: the articulation with the private sector and the technical issues at stake. Indeed, Chudnovsky, the secretary of industry, and his political counterpart, Jorge Campbell, the undersecretary of foreign trade, launched a round of meetings with different sectoral chambers, especially with the Association of Metal Industrialists of the Argentine Republic (Asociación de Industriales Metalúrgicos de la República Argentina [ADIMRA]), and different individual industries.

Subsequently, the Ministry of Economy would increasingly take the lead in the initiative. Nevertheless, this new situation did not create mistrust in the Ministry of Foreign Affairs, and did not give way to a duplication of efforts. In fact, Juan Sourrouille and Dante Caputo, the heads of both ministries respectively, were deeply involved in the process. They worked on the project on a team basis, and shared the same vision and idea regarding the integration process with Brazil.⁹ This personal connection would also be strengthened by the interministerial coordination achieved after the parliamentary elections of 1985, which reinforced President Alfonsín’s leadership in Argentina. In turn, this would lead to the incorporation of an important number of officials and technical experts in the Secretary of Industry and Foreign Trade (Secretaría de Industria y Comercio Exterior [SICE]), who were deeply committed to the integration process with Brazil. This project was regarded as a possible main motor of the trade liberalisation scheme, or even as a means of positive adjustment. In sum, by the end of 1985, an interministerial taskforce was already in place. It relied on direct access to the highest political officials and policy makers, and its main objective was to promote the technical issues on the negotiating agenda. This taskforce was assisted and complemented by the private sector, which was acting in the shadows and was led by the so-called ‘captains of industry’.¹⁰ Nevertheless, this idyllic relationship would not last long, coming to an end in 1987 when Roberto Lavagna and his team left the SICE and were replaced by Beatriz Nofal, after the defeat of the Radical Party in the 1987 legislative elections.

Based on the suggestions and proposals presented by the different chambers and industrial sectors, Chudnovsky elaborated the final positive lists on national capital goods. In those cases where consensus could not be achieved among two or more chambers producing the same product or item, the government would directly eliminate it from the final common lists, given that there were no adequate instruments to perform a technical evaluation of the competitive situation of the different products, thus revealing the government’s lack of capability to avoid conflictive situations (Chudnovsky et al. 1987). This would result in a quite different dynamic from the one originally proclaimed in the PICE: the promotion of intra-industry restructuring and specialisation. On the contrary, the common lists that had been agreed upon at the national level would only allow for the promotion of trade in terms of the lines of production in which each country had already specialised, and did not include or affect those sub-sectors or activities that showed greater reticence about this market opening.

⁹ Interview with former undersecretary of international relations and president, CENIT.

¹⁰ At the same time, although showing greater confidentiality, an informal working and advice group was created with these so-called captains of industry in order to gather their political endorsement to the initiatives. Later on, this same group would form part of the mixed commission. The ‘captains of industry’ was the name given to the economic groups that grew as state suppliers, and which, as detailed by Jorge Campbell (1999, 110), included the following business representatives: Jorge Haieck (SOCMA), Eduardo Braun (ASTARSA), Ricardo Zinn (SEVEL), Guillermo Livio Kühl (SAAB – Scania), Jaime Núñez (BAGLEY), Vittorio Orsi (SADE), Miguel Roig (Bunge y Born), Carlos Bulgheroni (BRIDAS), Carlos Tramutola (Propulsora), Alberto Hojman (BGH), and Sebastian Bagó (Laboratorios Bagó).

Utilisation in Decisions

The list elaborated by the SICE was part of the negotiation with Brazil. The agreement — the Protocol on Goods — entered into force at the beginning of 1987. The original list of 224 items was subsequently enlarged as the years passed by means of successive rounds of negotiations and following the same initial dynamic. The sectors included in the voluntary tariff reduction referred to most electric and non-electric equipment and machinery and their components and pieces, together with automobile components. Electrical equipments and parts and transport vehicles were excluded from the common lists and were subject to a separate sectoral negotiation (Porta and Fontanals 1989).

Negotiations on wheat and food supply — Protocols Two and Three — were as successful as the previous one. Given that Protocol Two was intended to promote a balanced exchange for Argentina and to make up for existing asymmetries, it established annual commitments for the purchase of this product by Brazil and other technical issues — such as the price calculation, ports, and schedules for loading. Protocol Three was different because it was not intended to promote trade liberalisation or the elaboration of lists; instead, it defined a common list of fruits, vegetables, and dairy products to be mutually provided in case of undersupply.

The remaining protocols — the steel and iron industry, the automotive and food sectors — faced numerous difficulties in their implementation and had a relatively small commercial impact during this first phase of the integration process. In this sense, for example, the steel and iron agreement had only a limited scope, leaving aside the main products. The automotive protocol, on the contrary, was successively postponed since there was no agreement regarding the small print. Actually, according to those who were directly involved in the negotiations, a vital element was missing: the support of the private actors involved in the process: ‘Opening the final sectors without ensuring the previous liberalisation of the intermediate sectors and/or the elimination of the subsidies granted to sheet entailed higher costs for the Argentine manufacturer, who was thus obliged to buy sheet at a higher price than the one paid by his competitor, the Brazilian manufacturer, and consequently his production was not competitive.’¹¹ A similar evaluation was provided for the automotive sector: ‘The automotive sector offered several advantages to be liberalised first: in the first place, consensus building within the sector was easy to achieve since only five companies comprised 90 percent of the total market; and, secondly, the sector allowed for a specialisation criterion. We proposed this scheme to Brazil, but companies would only accept it in 1991, when Mercosur ensured universal, automatic, and linear reductions.’¹²

Out of the six protocols dealing with production integration, the CGP was the only one to promote liberalisation, generating in turn quite important results in terms of the broader integration project. The implementation of this agreement led to a large increase in trade: between 1986 and 1990, regional trade in those products included in Protocol One grew from U\$16.7 to U\$ 95.5 million, which accounted for a notable 472 percent growth. These benefits were even greater for Argentina than for Brazil. While trade in capital goods represented just 50 percent of Brazil’s total exports, in the case of Argentina this stood at 80 percent. In qualitative terms, this increase also benefited Argentina through the diversification of the export supply.

Nevertheless, this was a short-term process of limited scope. Different analyses emphasise that even if the CGP led to increased productivity and a better use of installed capacity in both countries, there were neither significant investments nor important transformations in the structure of the national supply. Difficulties in the availability and conditions of credit for acquiring capital goods and the lack of credibility of the regional approach hindered the decision making of Argentine producers in the medium term. In addition, the increase in bilateral trade — by 40 percent between 1985 and 1988 — was circumscribed to specific sectors, particularly capital goods and wheat, products of relative high importance in macroeconomic terms. Most of the relevant productive sectors had only a marginal or symbolic participation in the impact of the integration initiative. Moreover, they did not seem to be interested in assuming a more active role in

¹¹ Interview with an academic, Universidad Nacional de Quilmes.

¹² Interview with former undersecretary of international relations and president, CENIT.

the near future. These sectors included the steel and iron industry, different branches of the food industry, and the automotive complex.

Acceleration of the Liberalisation Programme: Menem and the Common External Tariff (1991–95)

Born in a context of industrial promotion and protection, where states led in economic functioning, the PICE constituted a cautious approach to regional trade liberalisation and integration. This first phase of integration (1986–89) was marked by sectoral negotiations on trade instruments. However, after an initial period of intra-regional liberalisation and rapid trade growth, the exchange of concessions slowed down and trade flows reached a plateau. This sector-by-sector integration was then replaced by a universal approach to regional trade liberalisation after the signing of the Acta de Buenos Aires (1990), which accelerated the integration process and anticipated that the common market would come into effect in December 1994.

The Acta de Buenos Aires was signed by the newly elected presidents Fernando Collor de Melo (Brazil) and Carlos Menem (Argentina). The latter continued the trade liberalisation process initiated by the previous administration, and even if there was a rapid move toward market reform, trade liberalisation was kept in a secondary and discreet place. The economic team established a policy aimed at reducing tariffs, progressively applied, although mainly stemming from the requirements and demands of both the IMF and the World Bank. Subsequently, this was accelerated and deepened with the implementation of a new economic plan headed by Domingo Cavallo.¹³ The government later adopted a series of measures intended to promote exports and reduce the manufacturing costs through the reduction and elimination of different taxes and the establishment of credit facilities and measures aimed at stimulating exports.

In this line and in terms of the regional integration process already established with Brazil, the Acta de Buenos Aires implied a key transformation by adopting an approach to trade liberalisation based on an automatic, linear, and universal mechanism of tariff elimination within the zone (Lavagna 2001). Shortly afterward, negotiations began giving way to the Treaty of Asunción in 1991 and extending these commitments to Paraguay and Uruguay. Mercosur was finally born.

Four mechanisms were included in the founding treaty to move toward a common market. In first place was the trade liberalisation programme that would lead to the establishment of a zero-tariff area by 31 December 1994. Second, as of 1 January 1995, a CET and a common commercial policy with a third country or groupings of countries would be established. A third mechanism referred to the coordination of macroeconomic and sector policies: foreign trade, agriculture, industry, fiscal, monetary, foreign exchange, capitals, services, customs, transport, and communications, among others. Finally, sector agreements were established to deepen and speed up the liberalisation of intra-regional trade flows (Bouzos et al. 2002).

The trade liberalisation programme started in 1991 and, in spite of some delay in the original plan, the bloc finally achieved free trade among the member countries by 1999, when the CET finally started to rule. The adoption of the CET entailed the commitment to a long-term political project with Brazil, which in turn allowed for better integration into the multilateral trade arena. Both the Argentine and Brazilian ministries of foreign affairs strictly opposed any formal weakening of the CET since this was an effective policy tool for opening up the economy to the rest of the world, and it was crucial for the countries to negotiate as a bloc the incorporation of Mercosur into free trade agreements both within the Americas and with the European Union.

During those years, regionalism and regional integration appeared to be effective in facilitating an entrance into a much more developed multilateral trading system. However, once again, two options were then on the agenda: the creation of either a free trade zone or a customs union. The first option was clearly

¹³ After being at the Fundación Mediterránea think tank, Domingo Cavallo served as minister of foreign affairs (1989–91) and was instrumental in the realignment of Argentina with the United States.

promoted by the Ministry of Economy on the basis that a free trade zone would allow for more manoeuvres in the negotiation of the foreign trade policy — a vision shared as well by certain business think tanks such as Fundación Mediterránea and Centro de Estudios Macroeconómicos de Argentina (CEMA). The other option was the establishment of a customs union, an idea promoted mainly by public universities and the ECLAC.

Academic Research

In operative terms, the definition of the CET would compel the member states to subordinate their trade policies toward third countries to a common policy settled within the bloc. This was an extremely complex assignment given the structural asymmetries among the partners, which were reflected in their divergent tariff systems. Those countries with less diversified productive structures — such as Paraguay and Uruguay — objected the idea of granting tariff preferences to the larger partners, while Argentina and Brazil showed differences in terms of the most competitive sectors, an element that added more complexity to the process as well as to the possibility of building consensus (Giorgi 2003).

Mercosur governments appointed the design of the CET to the Common Market Group (Grupo Mercado Común [GMC]). Within this, the Sub-Group 10 (Subgrupos de Trabajo [SGT]) — which dealt with issues related to macroeconomic policy coordination — would be in charge of examining and analysing the CET. During the first two years, national delegations focussed on the exchange of their own harmonised national systems of nomenclature and the elaboration of consensual rules and basic criteria for the creation of the CET. Given the existing diversity among the national tariff systems, consensus was easily achieved for the establishment of an escalated external tariff system, including at least three positions. However, difficulties emerged in terms of the tariff level attributed to each sector. In order to overcome these important differences, it was agreed to carry out the negotiation on the basis of the different proposals taken to the negotiating table. These were to be presented by May 1992.

Faced with this schedule, national governments required several studies and analyses that obligated a critical participation of academics. The elaboration of these proposals entailed big challenges for the governments in terms of the complexity of the issue: each country had diverse nomenclatures and tariff systems, and there were no comparative statistical analyses. In addition to this basic survey, the evaluation of the different possible scenarios and their expected impact on each domestic productive sector was another necessary task.

At the regional level, similar surveys were carried out. In 1993, the GMC appointed Honorio Kume, an expert from the Instituto de Pesquisa Econômica Aplicada (IPEA), a research centre associated with the Brazilian government. With funding provided by the EU and the Inter-American Development Bank (IADB), Kume was designated to perform a survey and to assist national governments in the meetings of the GMC, where he turned out to be an active participant.

In Argentina, the need to come up with a proposal gave way to a proliferation and overlapping of studies and the appointment of different working groups. In all, three special studies were particularly important, as described below.

The first group was composed of technical experts from the Ministry of Economy, who were to fulfil certain tasks regarding Mercosur, and academics from the Department of Economics at the Universidad de Buenos Aires (UBA). The tasks were divided between the two groups: the academics focussed on the development of the parameters — since there was a perceived need for this information during the negotiations — and the coordination of the different activities within this joint group, and the technical experts worked on a comparative study and elaborated diverse statistical measures given that these data were of great utility for the negotiations.¹⁴ The experts group was coordinated and financed with the ministry's budget and its main objective was to collect all the existing information about the tariff positions in the four member countries in order to build a comparative matrix. This survey was guided by the demands and specific requirements of the officials of this public agency, who were also part of different

¹⁴ Interview with Argentine GMC negotiator.

working groups within Mercosur. In addition, these technical experts produced several proposals and reports that were submitted to the negotiators.

The second survey was appointed by the Ministry of Economy. With funding provided by loans from the United Nations Development Programme (UNDP), a group of academics were selected on a personal basis. The remuneration of these appointed experts tripled those of the ministry officials who were responsible for the negotiation process, a situation that was thus regarded with suspicion. This consultancy group relied heavily on the information that they already had as well as on a matrix based on outdated data. Moreover, the directives and parameters of the research were settled by the Ministry of Economy and did not necessarily respond to the needs of the actual negotiators.

Finally, the Ministry of Foreign Affairs developed some documents and reports on its own. Julio Berlinski, an economist from Universidad Torcuato Di Tella (UTDT), was appointed for this survey. He was an external advisor and a specialist in tariffs who had already had some experience working for previous administrations on various tariff issues. He was asked to define the criteria for the CET. Unlike public experts from the Ministry of Foreign Affairs, Berlinski had a global vision of the whole situation that enabled him to develop a more comprehensive analysis, different from that of a public expert who had taken the Argentina tariff system and made consultations with the private sector on the basis of the demands put forward by Brazil.¹⁵

Most of the private sector did not provide inputs into the CET negotiating process because they perceived the customs union would not be actually implemented. In fact, ‘most of the chambers and sectors in general did not participate; neither did they come to know about it. What is commonly being said, that business actors came to know about this project through the newspaper, is quite true. We [the negotiators] did not receive any proposals from the business sectors. Therefore, as we had no proposals, we had no instructions either; we worked in a very theoretical manner — our job was mainly based upon calculations done at the desk. We analysed how far we could go in terms of the productive chain and its maximization, and we struggled for this as much as we could.’¹⁶

Only two research reports were produced by the private sector. The Chamber of the Chemical and Petrochemical Industries (Cámara de la Industria Química y Petroquímica [CIQyP]) produced a paper of an operative nature intended to contribute to the survey and harmonisation process of the regional tariffs. This agreement was presented both to national governments and Mercosur institutions. As soon as the initiative was launched, chamber members reacted immediately: they decided to anticipate to the governments and presented a sectoral proposal. This was expressed by one CIQyP leader, who recalled that only the petrochemical sector would elaborate a proposal regarding a future nomenclator: ‘We held meetings during four months; every 15 days, 20 people per country got together. Moreover, this nomenclator is still valid today since it has barely undergone any changes. Governments signed it ... We were the only sector that carried out such a task, but in fact we were the only ones that would need to do so since the steel and iron sector includes 14 chapters of the nomenclator while the chemical sector includes 2.849 tariff lines, and stands for 30 percent of the total number of lines ... We finished this report ... and then said that that would be the tariff system to be applied; because it had been said that it would be proportional to the added value. So we determined what the added value should be and proposed our own tariff scale. We ended up presenting a proposal, which was also a joint proposal — only with Brazil, for the time being — from 2 to 16. The government accepted it and made a slight modification: from 2 to 14, but they did respect the escalated scheme.’

The second case refers to the study published by Fundación de Investigaciones Económicas Latinoamericanas ([FIEL] 1993), whose pro-market philosophy had become well known with the publication of *El comercio administrado de los '90: Argentina y sus socios*. This book argued that the best possible negotiating scenario for Argentina would be a free trade agreement with the United States, rather

¹⁵ Interview with a CEI researcher.

¹⁶ Interview with Argentine GMC negotiator.

than a deep integration process with Brazil. Written between 1992 and 1993, it was based on a research project financed by an American foundation.¹⁷

Research-Policy Articulation

Most of the documents and studies detailed above were the result of either an appointment or a special request made by the governments to those academics involved in the in-house think tanks. The articulation between policy makers and researchers seemed therefore guaranteed. However, things turned out to be more complicated. In the first place, only one of these different reports got to the Argentine negotiators in due time and proper form. This was the report elaborated by the experts and academics of the Ministry of Economy and the UBA. Unlike the others, this study was the result of teamwork, and certainly fulfilled the demands and requirements of the negotiators. Moreover, negotiators were also actively involved in its creation. In turn, these meant that the working group could have access not only to information but also to the instructions of the negotiating group.

Another group of studies, including the reports by Kume and Berlinksi, was also produced in proper form and in response to the demands and urgencies specified by the negotiators. These studies were intended to fulfil the same demand: the identification of the criteria to harmonise the nomenclatures of the countries in order to attain a common denominator. In the case of Kume, the report arrived too late for the Argentine negotiators: 'By the time Kume had finished this study ... the decision-making process was already over. The delay was terrible ... We did have a close relationship with him; in fact, he attended the meetings held between the four governments, and was a keen supporter of Mercosur; he provided negotiators with regular reports. Nevertheless, the final document could not be taken as input for the final policy decision since it arrived once this had already been agreed on. I then took it to the library, and I think the report turned out to be useful to me, but only later on.'¹⁸ In addition, the usefulness of Kume's report was only relative, at least regarding the elaboration of the positions of the national negotiators, since it focussed mainly on the distributive struggle in which each country would try its best to assure the survival of the most sensitive sectors: 'These surveys and reports were helpful not for making decisions, but rather in terms of the advice they provided governments, for instance, during the CET negotiations, which entailed settling a common tariff for over 9,000 positions for the more than 90 chapters of the nomenclator ... Some reports were elaborated, and then we analysed which products could be raised or lowered ... In addition, when we had to negotiate within the SGT on trade issues, we really needed to know what they were asking for, but at the same time we had to move toward the dismantling of the tariff barriers, so we needed to be informed of what we should ask for, what we should not demand, where we could push further, where we could yield our positions, and what problems could then come up.'¹⁹

In the case of Berlinksi's report, its utility was limited to providing arguments to the negotiators of the Ministry of Foreign Affairs given that the technical issue was still centralised at the Ministry of Economy. Berlinksi did not have the chance to work directly with the negotiators, who had the latest and most accurate information. Instead, his study was only a laboratory experiment. Another challenge was the lack of continuity in time, which limited its utility to an exclusive issue of political legitimacy, as indicated by one interviewee: 'I think negotiations are a process, along which papers are irrelevant. Papers and documents can provide ideas and advice, but the consultant should somehow participate along this whole negotiating process. However, this is never the case, or at least this was not my experience. I may be partly guilty for this since I find politicians boring. I believe that they are not interested in showing all what they know to us [the academics]. Assuring continuity is what really matters. But in real terms, nobody is interested in establishing a certain amount of tariffs because this is a quite complicated task, so a particular case is just taken, and in the end, it turns out to be useless.'²⁰

¹⁷ Interview with a senior economist, FIEL.

¹⁸ Interview with Argentine GMC negotiator.

¹⁹ Interview with researcher, Centro de Estudios para el Cambio Estructural (CECE).

²⁰ Interview with academic, UTDT.

The other studies and reports, together with the consultancy jobs that were appointed by the government between 1991 and 1994, were not intended to contribute to the definition of the CET, but to promote the public debate in favour of a process of deep integration with Brazil. The initiative came from the Ministry of Foreign Affairs, and mainly from Alieto Guadagni, who relied on international research centres, think tanks, and financing provided by the UNDP and the IADB either to appoint or to put ministerial positions out to tender.²¹ Different research centres, representing a wide variety of ideological assumptions, were chosen, according to their expertise in the different negotiating issues: CEMA, FIEL, UTDT, and Facultad Latinoamericana de Ciencias Sociales (FLACSO-Argentina). There was thus a clear division of labour: '[Osvaldo] Schenone, from Fundación Mediterránea, was appointed to work on the establishment of a regional market of capital goods; academics from FIEL were asked to analyse labour asymmetries and the tariff system of public services, while ECLAC specialists would have to focus on issues of macroeconomic coordination.'²²

Guadagni intended to summon political will to promote Mercosur and constitute a solid critique in terms of the confrontation he had with the Ministry of Economy, now headed by Cavallo. This was expressed by one of the public officials involved in the process, as follows: 'There was certain inertia — especially in terms of the proposed opening within Mercosur — in some sectors of the Ministry of Foreign Affairs, who were suspicious of Brazil and clearly preferred an agreement with the U.S. What we did was to take the agreement signed by Alfonsín and Sarney and extend it. There were conflicts, and quite important ones (within the Cabinet itself), that were never made public. I would now like to tell you an anecdote. Before the ratification of the Treaty of Ouro Preto, [Fernando Henrique] Cardoso — who had just been elected president of Brazil — made his first official visit to Argentina. During this visit, a meeting was organized in Olivos [presidential residence]. The minister of economy, who was also late for this bilateral meeting, proposed an integration arrangement different from that of Mercosur. Those present made no comments on this proposal until the following meeting, where Cardoso was told that such a scheme was not valid at all.'²³

Cavallo was not interested in deepening Mercosur. Instead he leaned toward the establishment of a free trade zone with Brazil. The underlying reason for this was that the entrance of Argentina into a customs union would diminish autonomy in the handling of the trade policy given that the final aim was to establish a common tariff. In turn, this limitation would also affect the external trade policy, which, in the context of the economic plan known as the Convertibility Plan launched in 1991, was the only economic field where policy could be implemented. On the other hand, Cavallo's increasing power over national politics, which was based on the initial success of the Convertibility Plan, turned out to be a positive signal for private sectors, revealing that the Treaty of Ouro Preto was not mature enough and would most likely not be signed.

Utilisation in Decisions

With regard to the analysis of the various research studies and the different channels opened to promote the knowledge-policy makers articulation, it is clear that in terms of technical applicability, the studies that offered the greatest utility were the ones performed by the experts and academics from the Ministry of Economy and the UBA. This team, unlike the others, relied on an interesting virtue: its capacity to respond to the demands and requirements of the national negotiators in the regional arena in due time and proper form

However, these reports were based on the technical conception of the experts and economists who did not have access to the medium- and long-term priorities established by those politically responsible for the negotiation process. Consequently they were dismissed when the need to make a political decision was finally imposed at the domestic level, mainly as a result of increasing Brazilian pressures.

²¹ Guadagni was undersecretary of international relations, Ministry of Foreign Affairs (1991–96), and secretary of industry, Ministry of Economy (1996–98).

²² Interview with former national director of industry, Ministry of Economy.

²³ Interview with former undersecretary of international relations, Ministry of Foreign Affairs.

Indeed, Argentina and Brazil had different and opposing positions in terms of the agricultural, capital goods, and computer and telecommunications sectors, which were certainly difficult to solve.²⁴ Moreover, negotiations came to a halt when Cavallo decided to promote a closer relationship with the United States and revealed his intention of boosting a free trade agreement with it. Thus the position of the Argentine negotiators and experts within the GMC became blurred. By the mid 1993, it was evident that the schedule settled by the Treaty of Asunción regarding the establishment of the CET — by 1 January 1995 — could not be fulfilled. Even if the process of harmonisation had already reached 95 percent of the whole tariff universe, there were still crucial debates to be solved. It was in this context that Brazil decided to assume the leadership in the debate both in political and operative terms.

In political terms, Brazil held meetings with the highest ranked officials of the Argentine government and explicitly rejected the latter's proposal to call off the establishment of a customs union and limit integration to a free trade area. Moreover, Brazil posed a serious threat: the removal of Argentina's preferential access to the Brazilian market, especially for wheat and cars, the only sectors where exports were then growing. With this in mind, and given that the United States no longer seemed interested in the idea of signing a free trade agreement, Argentine president Carlos Menem declared his firm decision to fulfil the commitments previously assumed in Asunción and create a customs union within Mercosur.

At the operative level, Brazil managed to impose its own tariff scheme because there was no major resistance from Paraguay and Uruguay. The CET was 'escalated' — meaning that tariffs increased with the added value of the products, with higher rates for finished goods — and the average tariff was settled at between 0 and 20 percent, protecting those industrial sectors in which Brazil was the only regional provider. Nevertheless, this tariff structure included some flexibility as shown by the four lists of exceptions included in the Ouro Preto Protocol. In exchange for the signature of this protocol, Argentina obtained what was called the Régimen de Adecuación Final a la Unión Aduanera (Final Adjustment Regime to the Customs Union [RAFUA]), which established an extra time period — a unique and maximum closing date of four years — granted to specific sectors for conducting a reform that would allow them to become competitive and survive in the new context: they could keep the national tariffs within the intra-zone trade, but these would have to disappear gradually and automatically by 1999.²⁵

The domestic distribution of these exceptions did not rely on the knowledge and research works already performed, but on the traditional lobby practices deployed by the private sector. Fearing that the launch of the CET would lead to the disappearance of some business sectors or the loss of the acquired preferences during the previous intra-Mercosur liberalisation phase, private lobbies now demanded protection from the national government. The only business sectors to become involved in this process were those that knew this dynamic because of previous negotiations or those that represented the most powerful economic sectors, given either their veto power — as in the case of the iron and steel and automotive sectors — or lobby power — as in the case of the textiles, sugar, and paper sectors.²⁶

²⁴ In terms of the agriculture sector, Brazil intended to establish low nominal rates, an idea that Argentina refused since it feared that the establishment of lower tariffs for products such as powder milk, wheat, meat, or rice would hinder the entrance of Argentine products to the Brazilian market when competing with the subsidised prices of third countries. In the case of capital goods, Argentina wanted to place this sector in one of the lowest levels of protection since this would allow upgrading equipment and processing and product technologies through the acquisition of less expensive equipment and technology in the international market. However, Brazil rejected the proposal. Furthermore, and as far as computer and telecommunications goods were concerned, Brazil was determined to establish high tariffs, remaining thus as the exclusive supplier in the region (Giorgi 2003).

²⁵ Thus, while first list of exceptions included those products already under the RAFUA, the second one comprised the national lists of specific exceptions to the customs union. Both the third and fourth lists were sectoral lists including capital goods and computer and telecommunications goods, where Brazil, under the request of Argentina, committed itself to the reduction of rates before 2006.

²⁶ Argentina included 221 products under this regime, basically those regarding the steel and iron sectors, footwear, and paper, all of which still continue to be exempted. The textile sector constitutes a paradoxical case: apart from including this sector in the RAFUA and creating a special committee aimed at elaborating

Impact Evaluation: An Initial Comparative Analysis

The following section compares both episodes of policy change. With regard to the agenda-setting process, they share a similar paradigm, which is clearly based on the idea promoted by international financial institutions — especially the World Bank — that portray trade liberalisation policies undertaken as a change of paradigm as being the unique possible solution to financial and economic crisis, and to growth problems as well. Promoted by the global epistemic community, this vision found support at the domestic level: the economic and political elites were deeply convinced of the need of reform. However, the strategies designed and implemented by the first two democratic governments — the Radical administration led by Alfonsín and the other, led by Menem from the Peronist Party — would show important differences.

The administration headed by Raúl Alfonsín followed the reform path proposed by the World Bank, but only partially. This government's innovation was evident in the promotion of a trade liberalisation process based on bilateral negotiations and tariff preferences, precisely when at the global level unilateral liberalisation was actively promoted in order to deepen multilateralism. Thus the negotiations initiated with Brazil would be structured around a set of sectoral agreements, which followed a clear logic of productive complementarity. On the contrary, the following administration strictly followed the structural adjustment programme more explicitly involved with deregulation, privatisation, and trade liberalisation, including tariff reduction and the elimination of subsidies. These actions formed the Washington consensus, proclaimed by the international financial institutions — namely, the World Bank and the IMF. Nevertheless, in following these policy recommendations regarding an unrestricted opening of the economy at all levels — unilateral, regional, and multilateral — there was still room to manoeuvre and, in the case of Argentina, this opening was carried out with a foreign exchange rate that evolved increasingly eroding competitiveness. At the regional level, the logic of the integration process with Brazil changed dramatically. Negotiations with Brazil, and with Paraguay and Uruguay in order to create Mercosur, were aimed only at attaining a free trade zone and a zero tariff within five years. The proposal of creating a customs union would be brought about by the larger partners of Argentina and Brazil, which clearly needed to establish a lock-in mechanism for the trade liberalisation already achieved and to resist the pressures of protectionist sectors interested in reversing the process.

The question that arises is whether this similarity led to a similar paradigm in terms of the nexus between research and policy making, as shown by the three conditions already mentioned: research, articulation, and utilisation.

When analysing the academic research that influenced the design of these strategies, both experiences exhibit large similarities. In both cases, governments were faced with new challenges, and they also lacked the basic expertise and information required to implement the required transformations effectively. Governments resorted to academic knowledge in order to gather further information and data regarding the policy change and its instrumentation. Thus regional and global epistemic communities had a key role in defining the main content of the final decisions involved in both instances, although there were essential differences in terms of ideas: those of the ECLAC vis-à-vis those of the World Bank.

As far as the CGP is concerned, the academia played a leading role in two different stages of the process. During the definition phase, when the strategy aimed at promoting sectoral integration was defined and designed, previous knowledge provided by decision makers outside the political parties, in both the ministries of economy and foreign affairs, was fundamental. Later on, the government appointed an academic as an ad hoc working group for the implementation of the strategy, basically to collect essential statistical data on the sectors under negotiation and to produce the final lists the Argentine government would present to its partner.

a proposal for an intra-zone regulatory policy, the member states agreed on exempting it from the customs union as well.

On the contrary, during the negotiation of the CET, academic research was restricted to designing the instrument. Even when the Treaty of Asunción made no reference to the CET or the sectoral policies that should be coordinated between the partners, the governments' decision left little margin to manoeuvre. In fact, the trade liberalisation process had already been established and this was already out of the agenda under discussion. Thus the only window of opportunity for the participation of academia was given by the design and definition of the final instrument to be implemented: the CET. Nevertheless, in this case, academic research was more vast in terms of the studies, reports, and documents produced. Academics appointed either by the government or by private actors, devoted themselves to two different kinds of research. A first included technical reports, produced by public officials and in-house technicians, or by specialists appointed by the government, who were to collect the basic statistical data needed to construct the tariff nomenclature and to define the tariff levels. In addition, some business sectors, such as the CIQyP, advanced with the production of their own reports. The second kind of documents and studies, focussed mainly on the argumentation and legitimisation of the national positions before the public opinion, proposed different and more convenient negotiating scenarios for Argentina. These documents and studies were required by the government and carried out by private think tanks using international funding.

Differences emerge in terms of the articulation between researchers and policy makers. The CGP was the result of the joint work of researchers and policy makers, who shared and intertwined different types of knowledge and made political decisions. The final list including the capital goods industries and sectors to be liberalised could thus easily be implemented regarding both the technical aspects and the political support at stake. In addition, this group managed to present its final report before the deadline established by Argentina and Brazil. In the case of the CET, research results were finally communicated once the negotiations were over, and in a language that was not only inaccessible to negotiators but also of slight utility. Most of these documents and studies had been commissioned from academics who had no liaison with the negotiators and therefore ignored their day-to-day requirements. Only one of the reports was an exception to the rule: the document prepared by the negotiators within the different SGTs, relying on the technical and professional assistance provided by the UBA academics. This turned out to be extremely technical research, where the negotiators defined their needs and requirements while academics concentrated on collecting statistical data. Nevertheless, unlike the negotiation of the PICE, those in charge of this report did not receive the necessary social and political support in order to use the data and information that had been collected.

Finally, the last of the conditions that can determine the influence of academic knowledge on the decision-making process is the political will of the decision makers and their determination to make use of it. There are very sharp contrasts in this respect between both episodes. In terms of the CGP, the final list compiled by the appointed researcher was the unique element that the Argentine government took to the negotiating table with Brazil. Sectoral accords would thus advance only in those industries or sectors where there was reliable information regarding the benefits of integration, while those sectors where there was no empirical evidence and where consensus building among the stakeholders did not work were removed from the final list. During the final negotiation of the CET, the policy recommendations were put forward through the empirical analyses that had been previously developed but were not taken to the discussions with Brazil. Certainly, this turned out to be a rather atypical negotiation, whose results were determined by the timing and pressure exercised by the main commercial partner — Brazil — given the lack of both definition and interagency coordination on the part of Argentina. Out of the three proposals that were specifically commissioned at the national level, the only one that finally exercised some influence in the bilateral negotiations was the joint document prepared by the chambers of the chemical and petrochemical industries of Argentina and Brazil; it was then presented to both national governments and to the regional authorities as well. Mercosur authorities accepted the inclusion of such document in the final agreement, with only some slight modifications.

Having compared both episodes in terms of the production of academic knowledge, its articulation within the decision-making process, and its use, this analysis now delves into the factors that promoted the production of knowledge in both cases and its articulation and use in the case of the CGP and of the CET proposal by the chemical and petrochemical sector.

The academic research was strongly boosted by the lack of experience of decision makers in the new problematic issues and questions, along with scarcity of the information needed to respond to them. This was precisely the case in terms of the paradigmatic change within the development model experienced in Argentina since the mid 1980s. This issue was new not only for public officials but also for the private sector involved in decision making. It should be noted that these were the first steps promoted by a democratic government after years of military dictatorship. Even in the case of previous trade liberalisation processes — for example, the negotiation of tariff preferences within LAIA during the 1970s — the military coup would then disarticulate these networks by breaking the constitutional order and replacing public officials and cabinets. The only sectors that were involved in this learning process were those related to the most concentrated sectors of the economy and that also experienced a large economic growth during the military regime — such as the steel and iron industry, or the automotive and petrochemical sectors. However, these were not involved in the formulation or implementation of the CGP, which was confined to smaller sectors and industries. In fact, an element that accounts for the influence of academics vis-à-vis other actors involved in the decisional process refers to the relative poor capacity or ability of the latter to respond or produce alternative strategies; this compares the influence of academics within the decision-making process, which was greater than those of other sectors also involved in the process. Indeed, the capital goods industry is not a concentrated sector in Argentina. Unlike other sectors showing great political leverage — such as the aforementioned industries — it is highly disarticulated and does not have a strong and clear labour organisation. This allowed the executive branch to design and implement the sectoral opening without consulting with the actors involved.

Later on, the CET negotiations would make this knowledge demand even more pressing given the lack of interministerial coordination and the different approaches to integration promoted by the ministries of economy and foreign affairs. While the latter promoted a deep integration scheme with Brazil, the former pushed for the establishment of a free trade area with the United States and other developed countries. In order to legitimate their own positions, each ministry and its public officials in charge would appoint the elaboration of research works and surveys in an ad hoc manner. In turn, this knowledge demand would be extended to business actors, such as the chemical and petrochemical sector, which assessed the need for elaborating its own sectoral proposal. From 1991 to 1993, the struggle between both ministries facilitated the proliferation of different studies and reports, although it did not promote the joint and effective work of academics and negotiators in the implementation phase. Unlike previous experiences in trade policy formulation in Argentina, most of the private sector was not involved in the elaboration of the CET, which in turn allowed for this to be the result of technical studies based on empirical evidence, at least in terms of the Argentine negotiating team. However, the absence of a clear leadership and coordination among ministries and public agencies also accounted for the lack of utilisation of the research results by policy makers during the implementation phase.

In the analysis of the second dimension, that of articulation, these three successful cases — the CGP and the CET proposal presented by the public officials within the Ministry of Economy, and the document elaborated by the private sector as represented by the CIQyP — clearly demonstrate that the ex ante articulation between decision makers and academics constitutes a key factor to guarantee that the information produced will be presented in due time and form.

Finally, both the CGP experience and the CIQyP proposal show that the use of knowledge depends on two conditions: interagency coordination and a common and unified vision, as well as the inclusion of non-governmental sectors, basically private actors. The policy-research articulation was possible in both cases because the proposed solutions left uncovered, for different reasons, deep distributive struggles between the sectors involved: in the first case, because the CGP was based on positive lists and, in the second experience, because losers and winners had been previously decided upon within the sector itself.

The comparative analysis on the nature of the policy-research relationship in both episodes of policy change brings to the forefront three initial conclusions. First, in temporal terms, the relative weight and incidence of the academia diminished as the novelty of the issue wore off and negotiating experience accumulated both in the public and private sectors. In effect, although academic knowledge was the only source in the elaboration of the CGP, 10 years later other types of knowledge and information were added to the negotiations of the CET, which were provided not only by the Ministry of Economy but also by think

tanks and different productive sectors. Second, in both cases, academic contributions to the decisional processes played a legitimising role. The final aim of the research-policy relationship established was to justify the government's negotiation position and discourse. Finally, and regarding the issues at stake, the incidence of academic knowledge had more possibilities of achieving success — use — in those areas where the distributional impact of the policies were almost inexistent — voice — or where those sectors whose interests would be seriously damaged by the implementation of a specific policy did not have veto power — exit.²⁷ In the opposite case, the voice of academia and the role played by studies based on empirical evidence were neutralised by sectoral lobbies, which relied either on their traditional veto power or on technical expertise to defend their sectoral interests. This contrast became evident during the negotiation of the CET. While the project of establishing a customs union remained an ideal rather than a concrete policy, experts and academics worked in isolation. However, when the political will to promote a customs union was clearly defined, the strength and influence of private lobbies would obscure all empirical evidence. Table 8-1 offers a synthesis of these main findings.

[[insert table 8-1 here]]

Final Considerations

The empirical evidence presented along this chapter refers to two episodes of policy change in the process of trade liberalisation launched by Argentina in which there was an important production of local knowledge. The first episode (1986–89) was a process of gradual change, when trade liberalisation would be promoted through a strategy of selective sectoral and productive integration with Brazil. The second episode (1991–95) refers to the liberalisation and integration process initiated among the Southern Cone countries — Argentina, Brazil, Paraguay, and Uruguay — that led to the establishment of a common market: Mercosur.

Both processes also differ in terms of the type of policy change. While the CGP can be categorised as a failed case of conceptual change — intended to promote gradual shifts in policy makers' knowledge and understanding of liberalisation through regional integration — the CET negotiations, on the contrary, can be defined as a process of incremental change, where transformations were brought about by means of micro-level decisions. In contrast, the negotiation of the PICE and the CGP involved a macro-level decision, where policy makers rejected the World Bank's proposal, which suggested unilateral and universal deregulation and used local knowledge to design an alternative — regional and partial — way for trade liberalisation.

Even if both episodes are consecutive and took place within the framework of the structural reforms promoted by the World Bank in Argentina since 1987, each case opens up different windows of opportunity for the academic research. In both cases, the utility of that research in the policy process showed important variations not only in terms of concrete use but also in terms of the exact moment when the research was applied and thus in terms of its impact on policy.

In the first case, research provided ideas, exposed previous experience, and offered the data needed to define the scope of the sectoral integration process, the definition of the strategy, and the final mechanisms and instruments for its implementation. However, local knowledge was not the result of research programmes developed as needed; in fact, it was the 'personal capital' of the academics who joined the working team of public officials and decision makers who would then be in charge of putting that research into practice. The ideas provided by foreign epistemic communities were also part of this process; in this case, these ideas were drawn from the personal experience of these academics who had been part of the ECLAC during the 1960s and '70s, which contrasted sharply with the hegemonic ideas of the World Bank.

On the contrary, in the second episode, academic research offered important inputs for implementing the liberalisation process. In this case, research was abundant and provided by different actors, and it was also intended to fulfil various objectives. The technicians and experts from the Ministry of Economy would

²⁷ The concepts of voice and exit are being used in terms of A.O. Hirschman (1970; 1976).

collect and systematise the necessary data for the final definition of the CET within the ongoing regional negotiations, but a second group of studies was commissioned by the ministries of economy and foreign affairs. Several external consultants, coming from different universities and think tanks, were then appointed to support the opposing ideological positions held by each of these ministries on whether to deepen the integration process with Brazil. Several regional organisations, such as the IADB, were also part of this ideological debate. In addition, business chambers with regional presence, such as the CIQyP, also provided important knowledge of the conditions and requirements of their sector in the new regional scenario. However, in these different cases, with the only exception of the technicians, research was intended to provide justification for the ideological positions held or to give way to certain lobbies.

Both episodes contrast sharply in terms of the impact local knowledge on the decision-making process. Also, both the PICE and the CGP can be characterised as a successful articulation process, promoted mainly by the government, which intended to build an alternative strategy to the one proposed by the World Bank. This allowed the government finally to be able to articulate a sectoral integration scheme. However, in both cases results would be weak given the strong opposition coming from the most concentrated private groups. In other words, even if there was a strong liaison during the academic research phase, this could not be utilised as sectoral interests would prevail over research evidence.

In the case of the CET, on the contrary, academic research, even if larger in number, had no impact on the decision-making process because the final decision regarding the CET was determined by the external pressures coming from Brazil, the hegemon within MERCOSUR. Brazil's strength relied not only on its economic pre-eminence but also on the internal divisions and rivalries within Menem's administration in Argentina. The only exception was then given by the private sector, which lobbied at the regional and national levels and finally achieved the required protection mechanism to assure its competitiveness in foreign markets.

By providing a comparative analysis of two different episodes of policy change, this chapter has highlighted the idea of influence as a complex process where the impact of knowledge on decisions can assume various forms and scope. Moreover, it is clear that the mere existence of knowledge regarding a certain issue does not constitute a necessary condition for its efficacy. In fact, the articulation between the different stakeholders and the political will to make use of it by the decision makers constitutes a key element. In this sense, expectations of academic incidence on trade policy should be cautious. Unlike other issues, trade policy is still strongly determined by two types of actors: external and private domestic actors.

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Table 8-1: A Comparative Glance at the Common Goods Protocol and the Common External Tariff

	Capital Goods Protocol (1986–89)	Common External Tariff (1991–95)
Context	Trade liberalisation as part of the structural adjustment programme	Trade liberalisation as a key pillar of the structural reform programme
External Inspiration	European experience and the expertise of the Economic Commission for Latin America and the Caribbean in capital goods sector	Structural reforms promoted by World Bank and International Monetary Fund
Local Knowledge Production (Type of Evidence)	Basic data on capital goods sector and opportunities for industrial complementarity between countries	Impact scenarios analysis (deep integration or free trade agreements) and technical tools for the implementation of common external tariff (as regional basic data)
Knowledge-Policy Articulation	Academic experts hired by Ministry of Economy	Papers commissioned from think tanks; technical studies done within the Ministry of Economy
Policy Use	Evidence used to define technical tools and to inform small private sectors on the windows of opportunity	Impact scenario analyses used by the ministries of economy and foreign affairs to legitimate and persuade (competing and overlapping views on the integration model to be pursued)