

Summary Master Thesis

“Kosten und Nutzen multipler Mitgliedschaften in subregionalen bis globalen Integrationsprojekten für die wirtschaftlich am wenigsten entwickelten Länder Lateinamerikas”

Martin Jenni, May 2009

This paper considers the impact of the increasing number of Preferential Trade Agreements (PTA) on the poorest countries in Latin America. While the World Trade Organisation's (WTO) multilateral Doha Development Round is currently in a stalemate, bilateral and plurilateral trade agreements are booming. As a result of the current proliferation of these trade agreements, the poor countries increasingly assume multiple memberships in PTA on all levels of the international system. The thesis analyses the costs and benefits of multiple memberships for the poorest countries in Latin America. On the one hand, multiple memberships multiply the support given to the poor through special and differential treatment clauses. On the other hand, there is a real danger of overstressing the limited resources of the poor by this multiplication of negotiation fora.

In a first introductory chapter, the paper presents the issue and outlines the research question. The thesis tries to clarify whether the proliferation of PTA harms or benefits the poor countries in Latin America. Important terms are defined and a multidimensional approach is applied to single out the ten poorest countries of Latin America (Haiti, Nicaragua, Guyana, Honduras, Bolivia, Paraguay, Guatemala, Dominican Republic, El Salvador, and Colombia). The hypothesis of the paper assumes that proliferating PTA harm rather than help the poor countries on their way to sustainable development. According to the hypothesis, the negative effects outweigh the positive impact of PTA and the poor countries would be better off in a multilateral global free trade system governed by the WTO.

Chapter two presents the applied economic and political theoretical frameworks. Regional economic integration theory will be used to analyse the static as well as the dynamic integration process in Latin America. For the analysis of the interaction of different types of PTA, the theory of international regimes is applied. Multiple memberships affect countries in two ways. There is a direct vertical impact from the supranational level to the national level. Here, the sum of all supranational regimes shape the behaviour of the state and regional economic integration theory is of great explanatory value. In addition, there is a horizontal interaction between the different regimes that indirectly affect state behaviour. For the analysis of horizontal interaction the thesis relies on regime theory and in particular on the theory of the effectiveness of international regimes.

Chapter three singles out the development needs of the poorest countries in Latin America by looking at their trade structure and their most urgent problems. To be effective any membership in any PTA must respond to these needs because integration is only justified when it is a mean that helps to realise the purpose of sustainable development.

Chapter four contains the main body of the paper and analyses the costs and benefits of multiple memberships for the ten selected countries. The structure of this chapter is rooted in Stokke's (2001)¹ paper about the effectiveness of regime interplay but adapted to the research question of this thesis. Based on case studies from the concerned countries, the paper looks at three ways in which multiple memberships might affect development. First, utilitarian effects which include cost efficiency, externalities and competition. Second, normative effects including the determinacy and coherence of rules as well procedural validation. Third, ideational effects which include raising concern for issues and diffusion of successful solutions. Recommendations of appropriate behaviour are given to the countries for each of the three types of effects.

All along the paper it becomes very clear that the missing harmonisation of rules and procedures between the different PTA is a main source of ineffectiveness for the concerned countries. Chapter five looks therefore at the existing harmonisation

¹ Stokke, O. S. (2001). *The Interplay of International Regimes. Putting Effectiveness Theory to Work*. FNI Report 14/2001. Lysaker: Fridtjof Nansen Institute

efforts on the Latin American continent. Unfortunately, none of the existing or planned initiatives seems to be able to provide sustainable help and assistance to the poorest countries.

Chapter six, finally, concludes the paper by resuming the main results and recommendations. It proposes a threefold strategy for the poorest countries to cope with the continued proliferation of PTA. According to their specific development needs, they should put into place unilateral and regional PTA in addition to the multilateral WTO framework. The multilateral, global integration is by far the most promising approach to achieve sustainable development because it allows for an equitable liberalisation of markets without discrimination and without regard of power or size of a country. However, as long as a single global free market without asymmetric power relations between rich and poor continues to be wishful thinking, the poor must opt for a pragmatic approach by putting into place simultaneously unilateral and regional strategies. The unilateral way will help to increase competitiveness and reduce the risk of trade and investment diversion. The regional way allows to increase the openness of the economy to the rest of the world without being exposed completely to the rough global competition. The WTO which is in the current context of proliferation of PTA rather an observer than an initiator of liberalisation could play an important role in favour of the poorest. It could facilitate the harmonisation of rules and procedures between the various PTA and serve as a forum for negotiation and coordination.