

DEVELOPMENT IN THE AMERICAS

TRADING PROMISES FOR RESULTS

What Global Integration Can Do for
Latin America and the Caribbean

Edited by
Mauricio Mesquita Moreira and Ernesto Stein



**Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library**

Trading promises for results: what global integration can do for Latin America and the Caribbean / edited by Mauricio Mesquita Moreira, Ernesto Stein.

p. cm.

Includes bibliographic references.

978-1-59782-364-7 (Paperback)

978-1-59782-365-4 (PDF)

1. International trade. 2. International economic integration. 3. Exports-Latin America. 4. Exports-Caribbean Area. 5. Free trade-Latin America. 6. Free trade-Caribbean Area. 7. Latin America-Commercial policy. 8. Caribbean Area-Commercial policy. 9. Latin America-Commercial treaties. 10. Caribbean Area-Commercial treaties. I. Mesquita Moreira, Mauricio, editor. II. Stein, Ernesto, editor. III. Inter-American Development Bank. Department of Research and Chief Economist.

HF1480.5 .T73 2019

IDB-BK-217

Copyright © 2019 Inter-American Development Bank.

This work is licensed under a Creative Commons IGO 3.0 Attribution-Non-Commercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



Cover image by Martín Saavedra

Cover design by Graziela Flor

Contents

List of Tables	vii
List of Figures	ix
List of Boxes.....	xvii
Preface	xix
Acknowledgments	xxiii
List of Contributors	xxvii
1. Expectations for Trade Policy: Before and After	1
2. Trade, Growth, and Welfare: The Big Picture.....	19
3. The Mechanics behind Liberalization: The Macro Evidence.....	45
4. The Mechanics behind Liberalization: The Micro Evidence	85
5. The Political Economy of Trade Policy: A Balancing Act	117
6. On Board with Trade, for Now: People's Attitudes and Support.....	147
7. Trade and Investment Policies: 30 Years Later	169
8. Labor Adjustment Policies: What Works?	215
9. Productive Development Policies: From Protection to Global Integration.....	235
10. Modern Agri-Food Markets: Fertile Ground for Public-Private Cooperation	257

11. New Technologies and Trade: New Challenges for a New World	279
References	303
Index	341

Acknowledgments

Development in the Americas (DIA) is the flagship publication of the Inter-American Development Bank (IDB). This issue was produced under the direction of Mauricio Mesquita Moreira, sector economic advisor of the Integration and Trade Department, and Ernesto Stein, principal economist of the Research Department. Antoni Estevadeordal participated in the coordinating team during the early stages of the project.

The principal authors of each chapter are as follows:

Chapter 1	Mauricio Mesquita Moreira
Chapter 2	Mauricio Mesquita Moreira, Kun Li, and Federico Merchán
Chapter 3	Mauricio Mesquita Moreira and Christian Volpe Martincus
Chapter 4	Mauricio Mesquita Moreira, Juan Blyde, Christian Volpe Martincus, and Danielle Trachtenberg
Chapter 5	Jorge Cornick, Jeffry Frieden, and Ernesto Stein
Chapter 6	Marisol Rodríguez Chatruc, Ernesto Stein, Razvan Vlaicu, and Víctor Zuluaga
Chapter 7	Juan Blyde and Marisol Rodríguez Chatruc
Chapter 8	Mauricio Mesquita Moreira and Christian Volpe Martincus
Chapter 9	Ernesto Stein and Tomás Bril-Mascarenhas
Chapter 10	Sergio Ardila, Piero Ghezzi, Tom Reardon, and Ernesto Stein
Chapter 11	Christian Volpe Martincus and Marisol Rodríguez Chatruc

A scientific advisory committee provided critical guidance and feedback at various stages of the process: Lorenzo Caliendo (Yale University), Jeffry Frieden (Harvard University), Piero Ghezzi (HacerPeru), Emanuel Ornelas (FGV-São Paulo), Nina Pavcnik (Dartmouth College), and Peter Schott (Yale University).

In addition to the authors, many researchers were involved in the preparation of useful background papers employed in the report: Emmanuel Abuelafia, Nicolás Albertoni, Roberto Álvarez, María Angélica Arbeláez, José Miguel Benavente, Matías Busso, Charles Cai, Jerónimo Carballo,

9 Productive Development Policies: From Protection to Global Integration

The history of industrial policies—or productive development policies (PDPs)—in Latin America and the Caribbean has been a checkered one. Unlike those in East Asian countries, which were largely aimed at taking advantage of opportunities afforded by globalization, industrial policies in the region took a more protectionist bent. Instead of supporting a global integration strategy, they were used to isolate the region's economies, protecting uncompetitive firms from the challenges of international competition. And rather than using them to address market failures, they were frequently enacted in response to rent-seeking activities by the private sector.

IDB's 2014 Development in the Americas report, *Rethinking Productive Development*, classified PDPs along two important dimensions. The first is their scope. Policies can focus on specific sectors (vertical policies) or be broad-based, with no specific attempt to benefit any industry in particular (horizontal policies). The second dimension relates to the type of intervention: Support can take the form of public inputs (or public goods) that seek to enhance productivity, or of market interventions such as subsidies, tax breaks, and protection. These two dimensions can be combined in a 2X2 matrix, dividing the universe of PDPs into four quadrants (Figure 9.1).

Why classify PDPs in this way? Because the type of policy considerations relevant in each of the quadrants differs significantly, as does the risk associated with interventions. In particular, the risk of rent-seeking behavior and capture is especially strong in the quadrant corresponding to vertical, market interventions. Subsidies and protection, particularly when specific to a sector, tend to generate large concentrated benefits

Figure 9.1 A Typology of PDPs

	Horizontal	Vertical
Public inputs		
Market interventions		

that directly affect firms' bottom lines. Beneficiaries have an incentive to organize and lobby for continued support. Those that do not benefit have incentive to lobby in order to receive benefits of their own.

For decades, the PDP landscape in Latin America was dominated by interventions in this quadrant. Examples abound. In Argentina, a 1972 industrial promotion law combined protection and tax breaks to favor production of electronics on the island of Tierra del Fuego. This policy is still a major part of Argentina's industrial policy (see Chapter 5). In Brazil, a 1984 law stipulated that only Brazilian firms would be allowed to sell computer hardware in the domestic market. In Costa Rica, rice is heavily protected, but rice processors are assigned tariff-free import quotas in proportion to their purchases of domestic rice (see Chapter 5 and Crespi et al., 2014).

Fortunately, the PDP landscape in Latin America and the Caribbean is slowly changing. While vertical market interventions probably still account for most PDP-related expenditures and top the list of private sector demands, other, more fruitful approaches are beginning to emerge. Rather than isolating the domestic economy from the world, these approaches are consistent with a global integration strategy.

In some cases, their goal is to enhance the productivity of sectors in which a country has (at least potential) comparative advantages, by identifying obstacles to their development—coordination problems, inadequate regulation, insufficient public goods—and engage in public-private collaboration to identify and implement the required solutions. These can be thought of as offensive policies, in the sense that they seek to take advantage of opportunities afforded by globalization. Notice that these policies are also vertical in that they seek solutions in specific sectors. But the solutions they seek for the most part take the form of public inputs, rather than the more risky vertical market interventions.

In other cases, the goal is to address the problems of those who lose from global integration. This second class of PDPs can be thought of as defensive policies. This class of policies relies largely on subsidies. But the novelty is that, rather than using subsidies to shore up uncompetitive sectors with no hope of acquiring comparative advantage, the new approach relies on subsidies to help transform firms and sectors, and to facilitate the transition of factors of production—most notably, workers—from uncompetitive firms in uncompetitive sectors to more promising firms in competitive sectors of the economy.

This chapter will illustrate these novel PDP approaches by presenting detailed accounts of two specific policies. On the offensive side, the focus will be on Peru's *mesas ejecutivas*. The *mesas*, which rely on strong public-private collaboration and a great deal of public-public coordination, have already sparked interest in other countries, including Argentina, which has implemented its own *Mesas Sectoriales* program influenced by the Peruvian experience. On the defensive side, the focus will be on Argentina's *Programa Nacional de Transformación Productiva*, which combines unemployment benefits for displaced workers, employment subsidies for competitive firms to absorb them, and credit subsidies to facilitate the productive transformation process.

Peruvian *Mesas Ejecutivas*

The Peruvian *mesas ejecutivas* are a public management tool developed in 2014 by Peru's former Minister of Production, Piero Ghezzi. They are fora for public-private interaction in which obstacles to a sector's development are identified and solutions quickly found and implemented. The focus on rapid implementation is a key component of the *mesas*, and the reason why they are called *ejecutivas*, in contrast to many other public-private fora where there is much dialogue but little action.

Within the taxonomy of PDPs discussed above, the *mesas* are vertical public inputs.¹ They address sector-specific problems and provide public input-type solutions: regulatory changes required for a sector to develop or thrive; specific public infrastructure; upgrading of public agencies that provide services to the sector; or resolution of various types of coordination problems. These obstacles and solutions tend to be highly sector-specific. So how can governments identify them? Doing so requires an important dose of public-private interaction.

¹ There are a few exceptions, like the logistics *mesa*, that dealt with a specific transversal issue, namely problems of access to the port of El Callao.

The Perils and Promise of Close Public-Private Interaction

Close public-private interaction in the management of vertical PDPs, however, is not without risks. In fact, depending on the way this interaction is structured and the nature of the policies involved, close public-private interaction may exacerbate the risk of capture and lead precisely to the inefficient policy outcomes that characterized industrial policies in the past. In this regard, the experience in Brazil in the late 1980s and early 1990s with *sectoral chambers*—sectoral fora bringing together bureaucrats and business associations which, coincidentally, were also called at times *grupos executivos de política sectorial*—is illustrative (Fritsch and Franco, 1993).

The policy instruments tackled by the sectoral chambers were predominantly market interventions, including agreements to contain prices in exchange for tax benefits (in the auto industry, for example), local content targets, and other fiscal and regulatory incentives. According to Fritsch and Franco (1993), these organizations were “corporatist arrangements through which active minorities exploited unorganized majorities,” seeking privileges and shifting the costs to other economic agents.

Problems of government capture such as those discussed by Fritsch and Franco led to much skepticism about public-private interaction and a dominant view, during the years of the Washington Consensus, that the public and private sectors should have completely separate roles. The government should provide an adequate business environment, set the rules of the game, and put in place certain instruments to address market failures. If the government has all the necessary information to choose the right rules, the search for profits by firms will lead to good outcomes, without the need for risky public-private interaction.

This view, however, is based on a false premise. Particularly when it comes to sector-specific regulations, coordination problems, and public inputs, governments *do not* possess all the information. Much of it resides within the private sector. Firms know better the obstacles they face, the impact that changes in regulations may have on their businesses, and the public inputs they need to compete on a global scale. Thus, when it comes to these issues, public-private collaboration is essential.

Of course, focusing on public inputs does not eliminate the risk of capture. For example, a sector may want environmental regulations to be relaxed beyond what is socially desirable or push for public inputs that benefit the sector disproportionately but are funded by all. In structuring these public-private interactions, the government should not abdicate its role or

delegate policymaking to the private sector.² And the decisions should be transparent and open to public scrutiny, even though the risk of capture and rent-seeking in vertical public inputs is significantly lower than in the case of vertical market interventions (see Fernández-Arias et al., 2016).

Identifying the right public inputs, however, is not enough; they must also be delivered. Effectively providing these inputs often requires coordination within the public sector. A labor training program for the mining sector may be of the utmost importance for the Ministry of Mining. But without the collaboration of the Ministry of Labor, in charge of labor training, the required solution may not be provided. And public-public coordination is difficult. Often, the public sector works with a silo mindset, with different agencies making autonomous, uncoordinated decisions and sharing little or no information.³

The Peruvian *mesas ejecutivas* address, at once, the problems of private-public collaboration and public-public coordination associated with the identification and provision of sectoral public inputs. While other programs in the region—such as the Cluster program in Chile during the first Bachelet government, or the Productive Transformation Program in Colombia during the Uribe and Santos administrations—have attempted to do just that, the *mesas ejecutivas* have some distinctive features that make them especially interesting and, to date, the most successful of this class of programs.

The *mesas* were born as part of a broader productive diversification plan launched by the Production Ministry in 2014. While there were other important components (most notably, a series of sector-specific technological centers called CITES), the *mesas* quickly became the linchpin of the plan.

The initial inspiration came from the minister's participation in the Olmos Project, a large-scale irrigation project led by the office of the chairman of the Council of Ministers involving several areas of the public sector (including the ministries of agriculture, transport, housing, and production). The project, which involved construction of roads, a port, electricity generation facilities, and even a new city, required substantial coordination

² In fact, the mining sector did ask to relax environmental regulations in the context of their *mesa* and were rebuffed by the core *mesa* team.

³ Ghezzi (2019) provides a good example of lack of coordination related to the aquaculture sector. The sector is supervised by several public agencies, including the *Superintendencia Nacional de Fiscalización Laboral* (SUNAFIL) and the *Organismo Nacional de Sanidad Pesquera* (SANIPES). For worker's safety considerations, SUNAFIL required the use of steel toe security footwear. But for food safety considerations, SANIPES banned the use of steel toe shoes. These coordination problems were resolved within the Aquaculture *mesa* through the development of joint intervention protocols involving these and other public institutions.

among the ministries, highlighting the value of public-public coordination in solving development problems. This experience prompted the minister to launch the *mesas*. There was a dose of serendipity involved.⁴ For reasons unrelated to the Olmos project, the chairman of the Council of Ministers stepped down, and Ghezzi enlisted the help of the small but capable support team coordinating the Olmos project. They became the core of the dedicated *mesa* team that will be discussed in more detail below.

How Do the Mesas Ejecutivas Work?

As in Chile's Cluster program (see Crespi, Fernández-Arias, and Stein, 2014), the original plan was to involve a consulting company in the selection of sectors and the definition of their action plans. However, with just two years remaining in the administration, the government decided to avoid the long process of identifying the ideal sectors, choosing instead to deploy the program quickly in a small number of sectors meeting reasonable criteria.⁵ And rather than establishing detailed roadmaps for each sector after a long diagnostic process, the need to produce quick wins led to rapid implementation of the *mesas* without such plans. Perhaps by accident, they engaged in a process in which planning and implementation were part and parcel of a single iterative, recursive process, rather than successive steps in a linear process of diagnostics followed by implementation. As it turns out, this was in line with the ideas of authors such as Sabel and Zeitlin (2012) and Andrews, Pritchett, and Woolcock (2013).⁶ This recursive process, which separates the Peruvian experience from related programs in the region, is a key feature of the *mesas ejecutivas*. In the words of Ghezzi (2019), "Experience shows that only during implementation are the problems understood

⁴ See Sabel's discussion of "the happy accident of Mesas Ejecutivas" in his prologue to Peruvian Ministry of Production (2016).

⁵ Sector selection was not seen as "picking winners." Rather, their limited bandwidth required the team to be selective, working with a few sectors first and moving sequentially to others as problems were addressed and the team gained experience in managing the program.

⁶ In Sabel and Zeitlin's (2012) "experimentalist governance," the tasks that need to be carried out in order to solve a problem are not known *ex ante*, but are discovered during implementation. It is in the process of implementation that learning takes place, capabilities are upgraded, and policy design adapts. Similarly, Andrews, Pritchett, and Woolcock (2013) argue for "problem-driven iterative adaptation," where different approaches to solve specific problems are tried iteratively until the problem is solved, generating a process of evaluation and learning that is used in the next iteration and leads to policy adaptation. Neither of the approaches involves a separation between the policy design stage and the implementation stage.

in depth and with sufficient granularity. The implementation improves the diagnosis, which is almost by definition preliminary. Therefore, the approach that works best is not linear, but recursive.”

Early on, the *mesas* team decided to work with a few sectors that had: competitive potential; a committed private sector with a good grasp of their challenges and opportunities, and; the potential to “move the needle.” The first sector chosen was forestry, quickly followed by textiles and aquaculture. By the end of Humala’s administration, the *mesas* program had expanded to 10 sectors.

Sector selection involves a process called “*pre-mesas*.” Once a sector expresses interest, the core team engages in a series of meetings with the main private and public actors to gauge whether it would be a good candidate. To move forward, the private counterpart must be committed to the process and open to the type of solutions the *mesas* can provide. Once selected, interaction continues before the first formal meeting, to be able to present some solutions soon after the *mesa* is inaugurated. This conveys a strong message to the private participants that the *mesas* mean business and are more than just cheap talk. And at the same time, it forces public participants to leave their silo mentality behind and engage in proactive collaboration to produce solutions (Ghezzi, 2019).

Who participates in a *mesa ejecutiva*? On the private side, in addition to business associations, an effort is made to involve the owners/general managers of the most-important firms. They tend to be more aware of the opportunities available and the obstacles to the sector’s development. In some cases, the *mesa* includes strong representation of well-organized small- and medium-sized producers, which, in the forestry case, came together as a result of the program. With very few exceptions, unions are not part of the *mesas* in Peru.⁷

On the public side, all public agencies involved in the sector participate actively. For example, in forestry, key players include SERFOR (regulatory agency, reporting to the Ministry of Agriculture) and OSINFOR (enforcement agency, reporting to the office of the chairman of the Council of Ministers). In addition to the more permanent participants, some public agencies participate in specific meetings when issues under their purview need to be resolved. Such is the case of the *Corporación Financiera de Desarrollo* (COFIDE), which may be invited to help resolve access to finance issues. In the agricultural exports *mesa*, SENASA (Peru’s phytosanitary agency, which has a strong role in opening specific product markets

⁷ They do play a more important role in the *mesas* in Argentina, where unions have traditionally been much stronger.

abroad) and INIA (National Institute of Agrarian Innovation) play an important role, as does the Ministry of Agriculture.

The *mesas* are managed by a dedicated core team, originally housed within the Ministry of Production, but currently within the Ministry of Economics and Finance. This small, dedicated team is probably the most important component of the *mesa* machine, the little gear that makes the whole system work. Composed of senior staff with deep knowledge of the workings of the public sector and a knack for getting things done, they convene and chair the meetings, document agreements, and monitor progress. They need not be sector experts. Rather, they are seen as honest brokers who do not have a dog in the fight, and thus can keep a balanced view, make sure the positions of different stakeholders are heard, and steer the process towards identifying obstacles and finding and implementing solutions. While they sometimes contribute to solutions (for example, putting their legal experts to work drafting regulations for other ministries or agencies), typically they let other public agencies take the credit, which helps bring them to the table in the first place and keeps them engaged through a sense of ownership. Managing the *mesas* process requires considerable soft skills.

Most of the time, the problems identified in the *mesas* can be resolved by the regular participants. Occasionally, decisions exceed the technical level of the *mesas* and are escalated to the relevant minister, who then engages with other ministers or agency chiefs to resolve critical issues or ensure compliance. During the early days, when the *mesas* were housed within the Production Ministry, the strong support of the Ministry of Economics and Finance (a very powerful ministry in Peru) was key in ensuring that other ministries and public agencies remained engaged and delivered what the *mesa* required. This high-level political commitment and support is essential for the proper functioning of this instrument.

What type of issues does the *mesa* address? The focus is on regulatory issues (either because key regulations are missing or because cumbersome regulations need to be removed or changed), on missing public goods, or on solving coordination problems within government that prevent the sector in question from achieving better outcomes. As important as what problems the *mesa* addresses is what problems it does not address. Requests for tax relief or subsidized credit are not dealt with, thereby limiting rent-seeking behavior. Staying away from subsidies and tax breaks was an important condition for support from the Ministry of Economics and Finance. See Box 9.1 for the type of problems the *mesas* address.

Typically, plenary sessions are held every two weeks. Frequent meetings help keep momentum going and everyone engaged. They also provide opportunities for rapid adjustment of the list of problems and solutions. But

BOX 9.1 THE MESAS, THE FOREST, AND THE TREES

The sector chosen to launch the *mesa* program was forestry, including native forests and plantations. Given the availability of native forests and the existence of fast-growing species suitable for plantations, Peru has clear comparative advantages. But the country exported only US\$150 million of wood per year (Chile, with less-favorable natural conditions, exports US\$5 billion) and imported a substantial share of the wood used in construction. The plantation sector is also labor-intensive, with the potential to generate formal work in the Peruvian Amazon, a region without many alternatives, where many people are engaged in drug trafficking or illegal mining. Despite its potential, the sector was beset by myriad problems and had never been a high priority for the Ministry of Agriculture. Through their business associations, forestry firms requested a *mesa*. A series of meetings with sector participants convinced the authorities that they had a good private counterpart. That is how the first *mesa* was born.

At the outset, the private sector participants identified the lack of tax incentives as one of the main obstacles to their development. They requested an income tax exemption and subsidized credit. These requests were denied by the *mesa* team, as they lie outside of the scope of policies the *mesas* tackle. After a few sessions, several other issues were identified: (i) inadequate regulation (plantations required harvest permits; other activities required cumbersome procedures); (ii) lack of coordination between SERFOR and OSINFOR; and (iii) lack of financing with adequate maturity terms (see Peruvian Ministry of Production, 2016).

Because forestry regulations lumped together plantations with native forests, procedures for wood extraction were as restrictive in plantations (where they make no sense) as they were in native forest concessions (where they make perfect sense). Thanks to the *mesa*, wood extraction in plantations no longer requires permits. In the native forest sector, concessions with certification from the Forest Stewardship Council and its very demanding standards no longer require regular audits by OSINFOR.

The native forest sector has widespread problems of informality and illegal logging. In this context, lack of adequate coordination between SERFOR and OSINFOR, coupled with the fact that OSINFOR conducted inspections after the fact, led to illegal wood being shipped to the United States. This generated severe problems, tainting the sector's reputation and restricting access to this crucial market. The participation of both agencies in the *mesa* forced them to coordinate and to respond to private sector needs. Now OSINFOR has added early inspections, and both SERFOR and OSINFOR are developing wood traceability capabilities that facilitate detection of illegal shipments and thus reduce transaction costs for legal exporters.

Regarding financing, the new forestry law allowed the use of concession contracts and trees as collateral. In addition, COFIDE established a Forestry Fund to provide credit to the sector with up to 30 years maturity, and 10 years of grace. The interest rate was not subsidized, and public funds were meant to leverage

(continued on next page)

BOX 9.1 THE MESAS, THE FOREST, AND THE TREES (*continued*)

private participation, which was required to trigger the use of public funds. This fund has been vastly underutilized, as private banks have shown little interest in financing the sector under such conditions. In an effort to resolve this problem, the government is exploring the use of climate change/green funds to help address the sector's financing constraints. This illustrates the fact that, often, the first attempt to solve a problem is unsuccessful. Learning from failure and persistence are essential for eventual success.

plenary meetings are just the tip of the iceberg. Much of the action actually happens between sessions, usually involving a subset of participants working on solutions to specific problems or preparing their positions for the next plenary meeting. The fact that the private counterparts have been willing to commit so much time to this process is a testament to the fact that they think the *mesa* offers real solutions.

While not all the Peruvian mesas have been successful, the overall results thus far have been very encouraging. In sectors such as forestry, aquaculture, or agro-exports, they have led to significant changes in regulation, resolution of coordination problems, and upgrading of sector specific public agencies.⁸ They have also led to increased investment.⁹ They have the makings of a good offensive policy: they focus on public inputs, not subsidies, and they involve deep public-private collaboration, with explicit mechanisms to solve coordination problems within the public sector. They are an agile recursive mechanism dedicated to rapid implementation of solutions, rather than lengthy diagnostics. At their best, they work as problem-solving bodies and improve their problem-solving skills as they go along.

Like any policy, however, the *mesas ejecutivas* have room for improvement. Their focus to date has been mostly on solving regulatory and coordination issues, most of which do not require budget allocations. But, until their recent move to the Ministry of Economics and Finance no mechanism was in place to finance sector-specific public goods, thus diminishing their firepower. In contrast, Corfo's *programas estrategicos*, a successor

⁸ As an example, the creation of SANIPES, the fishing and aquaculture sanitary institution, was an outcome of the aquaculture *mesa*.

⁹ The forestry *mesa* has led to large-scale investment projects by companies such as Reforestadora Inca (from the Dyer-Coriat group, owners of Camposol), Campbell Global (one of the largest reforestation funds in the world), Bosques Amazónicos, and Reforesta Perú.

to the Chilean Cluster program mentioned above, is accompanied by the *Fondo de Inversión Estratégica*, a fund managed by the Ministry of Economy that competitively allocates resources to public inputs identified in the context of each sector's roadmaps. One of the criteria for FIE project selection is private co-financing, thus diminishing the risk of diverting onto others the cost of programs that benefit the sector exclusively. The Peruvian *mesas* would benefit from a similar complementary program.

Since their beginnings during the Humala administration, the *mesas ejecutivas* have survived two government transitions, but not without challenges. The commitment and enthusiasm of the private sector, which lobbied hard for their continuation, was vital in sustaining the *mesas* through the political transition. After a period of instability and uncertainty, they were ultimately adopted by the Ministry of Economics and Finance, where they continue to operate. The support of the IDB was also important during this political transition.

The success of the Peruvian *mesas* has generated much interest in the region. In Argentina, similar bodies are rapidly becoming a central part of the country's PDPs, not just at the national level, where they have been embraced by the president, but also in jurisdictions such as the city of Buenos Aires (see Box 9.2). Other countries, such as Costa Rica, are also considering their adoption. Naturally, in order to be effective, this instrument needs to take into account—and be adapted to—local conditions. Restricting the scope to public inputs rather than subsidies or protection, for example, may be more challenging in countries such as Argentina and Brazil, where there is a strong tradition of government intervention, and firms expect this type of government support. Governments will need to work hard to change those expectations, as well as develop the capabilities for the public sector to work collaboratively to solve its own coordination problems. Political commitment at the top is essential to make this happen. Yet, those in charge of the program need to be mindful of the risks, in order to prevent the type of problems that bedeviled PDPs—even those involving close public-private collaboration—in the past.

Argentina's National Productive Transformation Program

Argentina's *Programa Nacional para la Transformación Productiva* (PNTP) is a PDP that deals with sectors and industries with little competitive potential in a context of increasing global integration. It falls into the horizontal, market interventions quadrant that uses subsidies to help transform firms, and to reallocate workers from firms and industries in difficulty to other firms and industries with stronger competitive potential.

BOX 9.2 ARGENTINE *MESAS* SECTORIALES

The Peruvian *mesas ejecutivas* have generated much interest in other countries. In Argentina, they inspired the launch of their own *mesas sectoriales*, coordinated by the Ministry of Production and Labor. Today, Argentina has numerous *mesas*, not just within the Ministry of Production and Labor, but also within others, such as the Ministry of Agriculture, Livestock, and Fisheries, or the Ministry of Transportation. While the issues discussed at each *mesa* vary from sector to sector, common themes that surface in most *mesas* include labor issues, productive simplification, quality, and internationalization.

Among the most important *mesas* are forestry (including industrialization), Vaca Muerta (unconventional oil and gas), and meat. More recently, new types of *mesas* have emerged, including some focused on cross-cutting issues such as logistics (coordinated by the Ministry of Transportation) and exports (coordinated by the Undersecretary of International Integration of the Ministry of Production and Labor). Others have a regional focus, one on Tierra del Fuego, and another on the Gulf of San Jorge. In the regional *mesas*, the emphasis is on developing new sectors to replace the electronics and oil and gas sectors, respectively.

While there are many similarities between Peruvian and Argentine *mesas*—including the presence of a small dedicated team to coordinate them, and an iterative process to facilitate the rapid implementation of solutions—there are also important differences.

- **Direct involvement of the president.** In contrast to the Peruvian *mesas*, which flew under President Humala's radar, in Argentina President Macri frequently participates in the plenary meetings of the *mesa*, listening to the private sector and demanding public-sector action. The president sees the *mesas* as a key public management tool, and refers to them frequently in his speeches. The presence of the president has been essential to align the rest of the players, and ensure that the public sector is coordinated and focused on providing solutions.
- **Participation of the unions.** Since its inception, the *mesas* have had an important labor component. In Vaca Muerta, for example, a very important precedent of the *mesa* was the "addendum" to the collective bargaining agreement, which included a series of commitments between the government, employers, and oil worker unions that led to lower labor costs and improved productivity, thereby attracting large investments. Changes to the agreement included productivity targets, the possibility of reallocating workers from one task to another, measures to deter absenteeism, changes in the number of workers per well, and the possibility of working with stronger winds. Although the labor issues at the *mesas* have generally been the most complex and the least resolved, they are an integral part of the Argentine variant of the *mesas*.
- **Dedicated productive simplification team.** The *mesas* have the active participation of officials of the Secretariat of Productive Simplification, who have played a fundamental role in many of the achievements of the *mesas*. The sec-

(continued on next page)

retariat enjoys strong support from the president, has work teams in many of the public agencies charged with providing solutions to the obstacles identified at the *mesas* (the customs agency, the public revenue agency, the National Service of Health and Food Quality, the National Administration of Medicines, Food and Medical Technology) and helps identify and implement solutions. It also works closely with provinces and municipalities, for example, so that provincial road offices adhere to the new national regulations introduced in response to the forestry *mesa*. The new regulations allow for the transportation of timber in B-trains, thereby reducing logistical costs associated with this activity.^a

- **Quality and internationalization axis.** Many of the *mesas* include a core concept of quality and internationalization, managed by the Undersecretary of International Integration. Quality issues, which also involve the National Institute of Industrial Technology, include quality certification issues, kaizen methodology (continuous improvement) workshops, and provision or accreditation of laboratories. Internationalization issues include developing sectoral internationalization strategies agreed upon by the public and private sectors. These strategies involve identifying product segments with competitive potential and geographic markets to target in each segment, as well as taking the action needed to achieve success.
- **Market interventions.** Although the focus of the *mesas* has been on improving the regulatory environment, resolving coordination problems, and providing sectoral public goods, market interventions have played a larger role in the Argentine *mesas* than in the Peruvian ones. Examples include adding sectors such as textiles and footwear to the Ahora 12 program, which offers subsidized financing to consumers, or extending tax benefits to a broader range of activities at the knowledge economy *mesa*. In part, the difference between the *mesas* in Argentina and Peru reflects the difference in their respective countries. When the Argentine *mesas* were launched, subsidies were pervasive and the economy was recessive. The activities of the *mesa* entail the risk of encouraging rent-seeking behavior. However, as they move forward, the *mesas* are focusing less on market interventions and more on public goods.

In addition to the national level, *mesas ejecutivas* have recently been launched in the Autonomous City of Buenos Aires, where the city's head of government, Rodríguez Larreta, has adopted them enthusiastically. These too were inspired by the Peruvian *mesas* and have focused on gastronomy, clinical trials, and the audiovisual sector. In the gastronomic *mesa*, for example, the process for reopening establishments that were previously shut down has been expedited, fees for placing tables and chairs on public sidewalks (something the government wants to encourage) have been eliminated, and procedures for obtaining health permits have been simplified. In a recent meeting, a representative from the private sector expressed his satisfaction in these terms: "What we did not achieve in 20 years, with the *mesa* we have been able to resolve in two months."

^a B-trains are trucks with two trailers up to 26 meters in length.

Created in 2016 within the Ministry of Production's Secretariat for Productive Transformation—but with the active involvement of the former Ministry of Labor—the PNTP represents a turning point vis-à-vis a program adopted earlier: the Program for Productive Recovery (REPRO). REPRO sought to extend temporary (up to one year) relief to firms that suffered temporary slumps in demand by subsidizing labor costs to avoid layoffs. Beneficiaries were required to present a recovery plan and commit not to fire workers. But in practice these plans were not analyzed exhaustively or held to high standards, and REPROs were often extended to firms with permanent, rather than temporary, difficulties. Moreover, firms would often ask for—and obtain—extensions. As a result, REPRO ended up focusing on sectors and industries with little recovery potential. Thus, it contributed to preserve factors of production in uncompetitive firms and sectors, rather than prompting their reallocation toward more promising ones.

The PNTP puts REPRO on its head. It supports the transformation of uncompetitive firms, which the program refers to as “transformation firms,” and the reallocation of factors of production to “dynamic firms” with competitive potential. How does it work? Consider a firm assembling computers in a highly protected domestic market. Tariffs on components are low—but those for computers are high, and their imports highly restricted through nontariff barriers. In comes the new government pursuing what they call a “smart integration” strategy. It eliminates tariffs and nontariff barriers on computers. One option for the uncompetitive domestic firm is to shut down. Alternatively, it can apply to the PNTP with a transformation plan: rather than assembling computers, it will import and distribute them, and provide technical support. However, it will no longer need 700 workers. Now 300 will do, perhaps with a different set of skills.

If the plan passes the in-depth analysis of the PNTP, the firm and their workers become eligible for a broad bundle of benefits, which may aid the firm in its transformation and assist the displaced workers. This example is not hypothetical. It was precisely to deal with transformation firms in this sector that the plan was originally devised.

For displaced workers, the PNTP provides expanded unemployment insurance up to 2.5 times the minimum wage for up to six months—much more generous than the standard unemployment insurance.¹⁰ In addition to *transformation* firms, the program also admits *dynamic* firms that can absorb workers laid off from *transformation* firms. They receive a tailored list

¹⁰ Expanded unemployment insurance should not exceed 50 percent of previous salary. Currently, the standard unemployment insurance is topped at about 36 percent of the minimum wage.

of the program's displaced workers with detailed experience profiles. Moreover, to encourage the absorption of these workers, the program provides subsidies—a minimum wage per employee hired from this pool—to cover part of the labor costs for nine months. Beneficiaries commit to keep these workers on their payroll for one year after the subsidy period has ended.¹¹

Both transformation and dynamic firms may require investments, either to aid their transformation process—for example, a logistics center for distribution of computers—or to allow the absorption of workers—for example, new machinery to expand their product line. The PNTP provides subsidized lending for both types of companies, mostly in the form of a 5 to 6 percentage point interest rate subsidy for loans procured by the firm from their own lenders. In the case of transformation firms without access to credit, the program sometimes provides direct loans from the BICE (*Banco de Inversión y Comercio Exterior*). In transformation firms, the size of the loan that is eligible for the interest rate subsidy is tied to the firm's capacity to retain its workers: the larger the number of jobs preserved, the larger the financial benefits the company can obtain. In the case of dynamic firms, it is proportional to the number of PNTP workers absorbed.¹² The program also provides relocation benefits to displaced workers willing to move, which have been very rarely used. The program was supposed to include a worker training component, but this has been very weak.

The transformations supported by the program vary substantially from firm to firm. One transformation firm, Integral-K, used to produce athletic footwear. It imported soles (18 percent tariffs) and shoe uppers (22 percent), assembled the shoes (subject to 35 percent tariffs and protected through discretionary import licenses), and sold them to established shoe retailers. The elimination of nontariff barriers wiped out all their clients. Their transformation plan was to pivot into security footwear for the industrial and construction sectors. Because they are made of natural leather, which is cheaper in Argentina than in Asia, the country has some comparative advantage. Moreover, security footwear must comply with technical requirements that impose important costs on foreign suppliers and provide natural protection for domestic producers.

Ingredient, a multinational firm producing corn-based sweeteners, had plants in two small cities and a very conflictual relationship with the union.

¹¹ Dynamic firms are not allowed to fire other workers in order to absorb the PNTP workers. If absorbed workers are not a good match, dynamic firms can replace them with others from the same pool or lose the corresponding benefits.

¹² Dynamic firms receive interest rate subsidies for loans of up to ARS\$1 million (about US\$25,000) per absorbed employee.

There were frequent strikes, and the company tended to give in. As a result, wages were high, labor flexibility low, and the firm lost competitiveness. Headquarters threatened (credibly) to close one of the plants, but eventually agreed with the union to join the PNTP program and keep both open. Transformation involved cutting 150 jobs and overhauling the collective bargaining agreement. New conditions include performance evaluation of workers, flexible hours or shifts, and a new lower wage category for new hires.

Dynamic firms are also very diverse. Examples include a company manufacturing Samsung washing machines under license, launching a line of Samsung refrigerators; a textile company producing mops and cleaning cloths from recycled jeans; a provider of technical support for most computer brands; and a cutting-edge biotechnology company producing sterilization products. Multinationals like Toyota and Accenture also participate, hiring workers from the PNTP displaced pool but often declining the credit and employment subsidies.

Terragene, a rapidly growing biotechnology firm located in Rosario, is a particularly interesting case, showcasing the program's potential but also one of its main challenges. Founded as a startup by two biology students in 2006, it employs over 200 workers and exports more than 150 products worldwide. Its flagship product uses nonpathogenic spores—the most resistant living organism on Earth—to test sterilization processes: if the spores die, sterilization worked. Their product allows healthcare centers to conduct sterilization tests in minutes, rather than days, thereby reducing medical equipment stocks substantially.

Terragene saw the PNTP as an attractive policy tool that could support its aggressive expansion plan. The bundle of benefits combined interest rate subsidies to finance a new, high technology plant with employment subsidies to hire workers displaced from transformation firms. On paper, Terragene had great potential to absorb workers. Being vertically integrated, it designs, manufactures, and services its own machinery, produces its own plastic-injected incubator parts, and even has printing presses for its paper-based sterilization-testing products. Thus, it needs manufacturing-sector workers with experience in the metal-mechanic, plastic-injection, and printing industries. Despite Terragene's potential, success has been very limited for geographic reasons. Very few displaced PNTP workers are from Rosario, and others seem reluctant to relocate, even during a recession.

The PNTP at Work

This section discusses three key aspects of the PNTP: identifying potential beneficiaries, providing technical assistance during the approval process,

and providing assistance to match displaced workers with dynamic firms. These processes highlight the extent of public-public coordination involved in the program, as several agencies—and in some cases, levels of government—are involved in each step.

To identify transformation firms, the PNTP staff and the secretary of labor promoted the program with business associations and labor unions. Union leaders generally viewed the program favorably, as it aids conflict resolution, and unions often serve as a nexus between the PNTP and the private sector, encouraging firms to apply. To identify dynamic firms, the PNTP tracked down investment announcements across the country and contacted companies that had recently hired employees. Public-public coordination also worked across levels of government: provincial and municipal production and labor agencies helped identify transformation firms and dynamic firms in their respective jurisdictions.

During the approval process in which firms formulated their transformation or expansion strategies, the PNTP also provided a high-quality blend of evaluation and technical assistance, led by the Investment and Trade Promotion Agency. Nine officials, most with graduate training and ample corporate experience, assessed the viability of the projects—including the commercial and financial strategies and the quality of management teams—and proposed tailored, concrete solutions to improve them so as to maximize the probability of success and minimize the risk of investing public resources in ill-formulated projects. The Agency often worked with the National Institute of Industrial Technology (INTI), which provided advice on the technological and production aspects of the projects. Many projects pivoted during this iterative process of evaluation and assistance: by the time the PNTP executive committee approved them, the projects often differed significantly from the original proposals.

Another important process is the *operativos*, organized by the PNTP program's staff with participation from the National Social Security Administration (ANSES) and the Secretary of Labor's local agencies. During the *operativos*, PNTP staff conducts meetings with workers targeted for dismissal, informing them about the program's benefits and vocational training opportunities offered by government agencies. These *operativos* have been crucial to reduce conflict associated with firms' downsizing. In addition, the PNTP staff gathers data on each worker, including employment history, tools the worker has used in the past, and whether they are open to relocating. Profiles are then included in a dataset with thousands of cases. Following the *operativos*, a special unit within the PNTP analyzes the data and shares with dynamic firms those CVs that seem like a good fit with companies' needs.

Challenges and Opportunities for Improvement

During its first years of existence, the PNTP has faced several challenges, some associated with the program's design and implementation, others with the economic context in which the PNTP has operated. The PNTP is a small-scale boutique program. In order to have an impact at the aggregate level, the program would need to be significantly scaled up. Given the lack of scale, and the reluctance of workers to relocate, dynamic firms face difficulties finding workers that fit their needs within the PNTP database, particularly if few transformation firms are located in their vicinity, as the Terragene case illustrated. It is not clear whether increasing relocation benefits and publicizing them widely would be enough to deal with this challenge.

The PNTP also suffers from the weakness of its efforts to retrain laid-off workers. This contrasts with programs pursuing similar goals in other countries, such as the U.S. Trade Adjustment Assistance (TAA) program (see Chapter 8), which devotes significantly more resources to help workers (re) build their skills. While the original intention was for the PNTP to foster vocational training to support the reallocation of workers, in practice the PNTP shares information about a small number of existing vocational training courses offered by other public agencies. This is clearly insufficient.

Lack of resources for skill transformation has affected PNTP's firms. For instance, Maxion-Montich, a Córdoba-based auto parts manufacturer, recently started a profound transformation, from producing large truck chassis on a small scale to manufacturing chassis for Nissan pickups on a much larger scale. Becoming part of Nissan's global value chain required Maxion-Montich to adopt new quality standards and just-in-time production processes. Hence, the firm required workers with new skills. It needed technicians with highly specific welding training and people trained in robotics to design and implement the firm's automation project. However, after analyzing 240 profiles sent by the PNTP team, its human resources executives concluded that only six had the required skills to merit an interview. Eventually, the company was able to hire just two workers from the program.

Another problem that surfaced during company visits is that the expanded unemployment insurance benefits may be too generous. Although the benefits decline after four months to encourage workers to go back to work, some dynamic firms reported that, on occasion, workers would not show interest in being hired during the six-month expanded insurance period.

An area in need of improvement is the speed with which financial benefits are granted. The period between a company's application to the PNTP

and the disbursement of direct loans or credit subsidies can last well over six months, as several agencies need to sign off. Delays pose particular challenges given Argentina's volatile macroeconomic context. For instance, Tejidos Raquel, a small weaving company, sought to utilize PNTP financial benefits to purchase new machines. Yet, in a context marked by sudden and steep devaluation, when the firm finally obtained funding, it was no longer able to buy the machines it needed. More generally, the recessionary context has made it difficult for dynamic firms to plan investments and hire new workers, which reduces the program's capacity to reallocate workers.

The decision to provide direct credit to transformation firms has also brought about challenges. Originally, the program provided financial benefits only in the form of interest subsidies on loans procured by firms. This had the advantage that, on top of the analysis of the Investment Agency, banks needed to do their own due diligence to vet transformation and expansion projects. The fact that banks were often unwilling to finance transformation firms (which by definition are troubled firms) led to the decision to let them access direct lending from the BICE. This has drawbacks, as financial benefits become riskier and require considerably more fiscal resources, compared with interest rate subsidies. Moreover, due to sharp increases in interest rates, the direct credit benefit (at a prespecified low interest rate) became much more generous than the interest rate subsidy. In the midst of a severe fiscal adjustment, the government temporarily discontinued all financial benefits, reducing the firepower of the program substantially. It will be interesting to see whether at least the interest rate subsidies are reinstated once fiscal conditions improve.

Finally, additional challenges are related to institutional volatility, a problem that affects the Argentine public sector more generally but has been particularly severe in this case. The program was designed and initially implemented in 2016 by the Productive Transformation Secretariat of the Ministry of Production following a joint resolution with the Ministry of Labor. Two years later, the minister and the secretary were replaced, and a significant change in the ministry's organizational chart took place, shifting the responsibility for the PNTP to the Secretariat of Productive Integration. Some key PNTP staff members were reassigned to other tasks, affecting the accumulation of capabilities and policy expertise, and the new secretariat had to quickly get acquainted with the program. The revised organizational chart required a joint resolution, which took time to draft and approve, delaying critical PNTP procedures, including the admission of new firms. Following approval, a major redesign of the executive branch led the Ministry of Production to absorb the Labor Ministry, imposing additional administrative stress. Early in 2019 the secretary of

productive integration was appointed employment secretary and took the PNTP (but only part of the team) with him.

Balance and Early Results

Argentina's PNTP is an innovative PDP that helps reallocate factors of production toward firms and sectors with higher competitive potential. The program was rolled out rapidly, kicking off a process of policy learning, discovery, and fine-tuning. It exhibits considerable public-public coordination and is the first to articulate under a single window several different policy tools—for both firms and workers—that until recently were provided in uncoordinated fashion.

Conflict mitigation has been an unqualified success. By offering a new menu of options for firms and workers in declining sectors, the PNTP has preempted the escalation of labor conflict that, quite likely, would have grown in the absence of PNTP benefits. Until the creation of the program, firms needing to reduce their payrolls had few resources to initiate processes of transformation that would allow them to avoid the worst-case scenario—closing down operations and firing all their employees. The expanded unemployment benefits, coupled with support to help workers find new employment, have been instrumental in this regard. These benefits have also been key to getting the unions to buy in, sometimes playing a broker role by explaining to workers how the program operates, informing employers about its existence, and encouraging them to apply.

Despite its good features, the program has been only a partial success. For starters, it is too small, covering only 41 transformation firms and 48 dynamic firms (as of July 2018). Out of nearly 1,500 laid-off workers, nearly 600 were reabsorbed, one-third of them with employment subsidies in dynamic firms. Going forward, it will be interesting to follow progress closely to see whether financial benefits are reinstated and whether the program finally scales up, once the country emerges from the current recession and fiscal difficulties. In the context of the recently signed EU-Mercosur agreement, a program such as this one may be even more important. One thing is certain. By encouraging reallocation of workers toward more dynamic sectors and firms, rather than preserving them in uncompetitive industries, the PNTP is a much better option than its predecessor, the REPRO.

Towards a New Vision of PDPs

Countries in the region have engaged in PDPs intensively over the years. But traditionally, they have focused on policies that shielded domestic

producers from competition, in response to lobbying by the private sector. These PDPs, relying mostly on sector-specific subsidies and protection, run counter to the spirit of trade liberalization. Given this report's view that liberalization (accompanied by complementary policies) is a worthwhile pursuit, the relevant question is the following: what type of PDPs can allow countries to take full advantage of the opportunities afforded by globalization, while mitigating the costs?

In terms of taking advantage of foreign market opportunities, countries would benefit from setting up sector-specific public-private fora to identify and resolve bottlenecks and help firms become more productive. At the heart of these policies are efforts to simplify and optimize sector-specific regulations, to provide sector-specific public goods, and to solve coordination problems, not just within the private sector, but also within the public sector. The Peruvian *mesas ejecutivas*, versions of which are already being adopted in other countries, are a good example to follow in this regard.

But, as should be clear from this report, liberalization produces winners and losers, so the obvious question is, what to do about the losers? While defensive PDPs are an important component of a liberalization strategy, there is a right and a wrong way to do them. Subsidies that preserve employment in firms and sectors that lack competitive potential are not the way to go. The key is to put policies in place that facilitate reallocation of workers from uncompetitive firms and sectors to firms and sectors with competitive potential.

Some of these policies, such as the U.S. Trade Adjustment Assistance Program and policies to retrain categories of workers likely to be displaced by trade liberalization, were discussed in Chapter 8. Here, the contrast between the REPRO and the PNTP in Argentina illustrates both ill-conceived and sensible defensive policies. While in the midst of a recessionary context the success of the PNTP is only partial, it has been very successful in mitigating labor conflict, and less successful in achieving significant reallocation in large enough numbers. While its continuity is still in doubt, it is a good example of a policy that follows the key guiding principle for defensive policies: worker reallocation.

TAKING STOCK

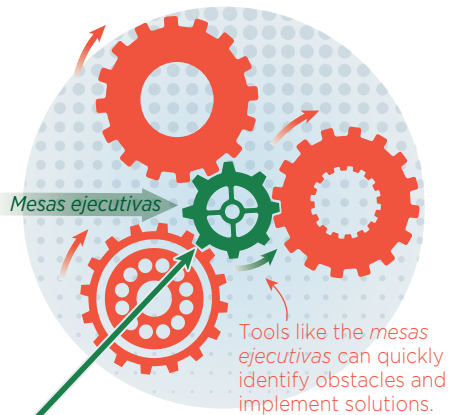
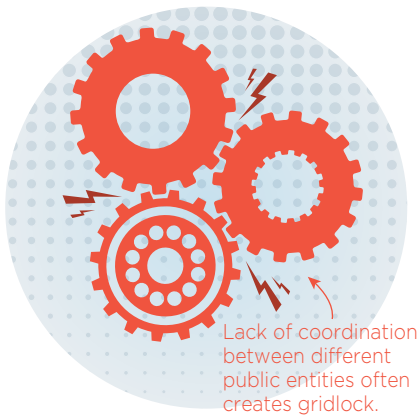
PRODUCTIVE DEVELOPMENT POLICIES: FROM PROTECTION TO GLOBAL INTEGRATION



To take advantage of foreign market opportunities, countries would benefit from setting up sector-specific public-private fora to identify and resolve bottlenecks and help firms become more productive.



The Peruvian *mesas ejecutivas* are a good example. They simplify and optimize sector-specific regulations, provide public goods, and improve coordination within private and public sectors.



Types of PDPs

Horizontal Broad-based Vertical Sector-specific

Public inputs Public goods		
Market interventions Subsidies, tax breaks, protection		

Programa Nacional para la Transformación Productiva (PNTP)

Not all PDPs are created equal

The *mesas ejecutivas* are productive development policies (PDPs) of the vertical (sector-specific), public input type. They provide public goods seeking to enhance productivity.

For decades, interventions in Latin America focused on inefficient sector-specific subsidies and protection of uncompetitive sectors, leading to rent-seeking behavior.

Novel PDPs use subsidies in a better way, facilitating the transition of factors of production from uncompetitive firms and sectors to more competitive ones. Argentina's PNTP is an example.

THE BOTTOM LINE

Subsidies to firms and sectors without competitive potential are not the way to go; the key is to put PDPs in place that maximize opportunities for competitive sectors (like the Peruvian *mesas ejecutivas*) or that facilitate reallocation of workers from uncompetitive firms and sectors to firms and sectors with competitive potential (like Argentina's PNTP).

List of Contributors

Sergio Ardila, a Colombian citizen, holds a PhD in Agricultural Economics from the University of California at Davis and an MS in Water Resources Planning and Management from Colorado State University. He was a Principal Economist in the Environment, Rural Development and Disaster Risk Management Division of the IDB until retirement and now works as an independent consultant.

Juan S. Blyde, a Venezuelan citizen, holds a PhD in Economics from the University of Colorado, Boulder. He is a lead economist in the Migration Initiative of the Inter-American Development Bank.

Tomás Bril-Mascarenhas, an Argentine citizen, holds a PhD in Political Science from the University of California at Berkeley and is an Assistant Professor at the National University of San Martín. He has been a Postdoctoral Fellow at CONICET and a Visiting Professor at Torcuato Di Tella University.

Jorge Cornick, a Costa Rican citizen, holds a PhD in Agricultural Economics from the University of Wisconsin-Madison. He has worked in the Costa Rican public sector on fiscal and regulatory issues and works as an independent consultant on policy and development issues.

Jeffrey Frieden, a U.S. citizen, holds a PhD in Political Science from Columbia University. He is Professor of Government at Harvard University.

Piero Ghezzi, a Peruvian citizen, holds a PhD in Economics from the University of California at Berkeley. He is a founding partner of HacerPeru and former Minister of Production of Peru.

Kun Li, a Chinese citizen, holds a PhD in Economics from the University of California at Santa Cruz. She works in the Integration and Trade Sector of the Inter-American Development Bank.

Federico Merchán, a Colombian citizen, holds a Master's in Economics from the Universidad de los Andes in Bogota. He is a Research Fellow in the Integration and Trade Sector of the Inter-American Development Bank.

Mauricio Mesquita Moreira, a Brazilian citizen, holds a PhD in Economics from the University College of London. He is a principal economic advisor in the Integration and Trade Sector of the Inter-American Development Bank.

Tom Reardon, a U.S. citizen, holds a PhD in Economics from the University of California at Berkeley. He is a Professor at Michigan State University.

Marisol Rodríguez Chatruc, an Argentine citizen, holds a PhD in Economics from the University of Maryland. She is an economist in the Migration Initiative of the Inter-American Development Bank.

Ernesto Stein, an Argentine citizen, holds a PhD in Economics from the University of California at Berkeley. He is a principal economist in the Research Department of the Inter-American Development Bank.

Danielle Trachtenberg, a U.S. citizen, holds a PhD in Economics from Boston University and works in the Integration and Trade Sector of the Inter-American Development Bank.

Razvan Vlaicu, a U.S. citizen, holds a PhD in Economics from Northwestern University. He is a senior economist in the Research Department of the Inter-American Development Bank.

Christian Volpe Martincus, an Argentine citizen, holds a PhD in Economics from the University of Bonn. He is a principal economist in the Integration and Trade Sector of the Inter-American Development Bank.

Victor Zuluaga, a Colombian citizen, holds a Master's in Economics from the Universidad de los Andes. He was a research fellow in the Research Department at the Inter-American Development Bank during the preparation of the report. He is a PhD student at the University of Houston.