INTER-AMERICAN DEVELOPMENT BANK

INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

Intal

Institute for the Integration
of Latin America and the Caribbean

ITD

Integration, Trade and
Hemispheric Issues Division

Globalization and the Need for Fiscal Reform in Developing Countries

Vito Tanzi

Special Initiative on Trade and Integration

INTAL - ITD
Occasional Paper -SITI- 06

Globalization and the Need for Fiscal Reform in Developing Countries

Vito Tanzi

Intal ITD

October, 2004
Occasional Paper-SITI-06

The Institute for the Integration of Latin America and the Caribbean (INTAL), and the Integration, Trade and Hemispheric Issues Division (ITD) of the Integration and Regional Programs Department of the IDB have organized a joint publication series:

Working Papers
Refereed technical studies providing a significant contribution
to existing research in the area of trade and integration.

Occasional Papers
Articles, speeches, authorized journal reprints and other documents
that should be of interest to a broader public.

Integration and Regional Programs Department

Nohra Rey de Marulanda	Manager, Integration and Regional Programs Department
Robert Devlin	Deputy Manager, Integration and Regional Programs Department
Peter Kalil	Chief, Integration, Trade and Hemispheric Issues Division, INT
Juan José Taccone	Director, Institute for the Integration of Latin America and the Caribbean, INT

Inter-American Development Bank
Integration and Regional Programs Department

Institute for the Integration of Latin America and the Caribbean IDB - INTAL
Esmeralda 130, 16th and 17th Floors (C1035ABD) Buenos Aires, Argentina - http://www.iadb.org/intal

Integration, Trade and Hemispheric Issues Division
1300 New York Avenue, NW. Washington, D.C. 20577 United States - http://www.iadb.org/int

The opinions expressed herein are those of the authors and do not necessarily
reflect the official position of the IDB and/or INTAL-ITD, or its member countries.

Printed in Argentina

Institute for the Integration of Latin America and the Caribbean
Globalization and the Need for Fiscal Reform in Developing Countries
1ª ed. - Buenos Aires: IDB-INTAL, 2004.
32 p.; 28 x 21 cm.

ISBN 950-738-196-1

1. Globalización - Reforma Fiscal I. Título
CDD 337.1

US$ 5.00

Editing:
Susana Filippa

CONTENTS

I. MEANING OF GLOBALIZATION 1

II. EFFECTS OF GLOBALIZATION 3

A. Positive Effects 3

B. Negative Effects 3

III. GLOBALIZATION AND REFORM 7

IV. GLOBALIZATION AND FISCAL REFORM 11

A. General Aspects 11

B. Country Experiences 13

IV. GENERAL CONCLUSIONS 17

REFERENCES

GLOBALIZATION AND THE NEED FOR FISCAL REFORM IN DEVELOPING COUNTRIES[*]

Vito Tanzi[**]

Contents

I. MEANING OF GLOBALIZATION

Most would agree that we now live in a globalized world. At the same time not many would have a clear or precise notion of what this means. Globalization can be interpreted in various ways but essentially it means that a country's dependence on the rest of the world is now very high. What happens abroad matters and the rest of the world has many ways of intruding in the activities of a country and of its citizens.

Some believe that in some ways this has always been the case and that the world has always been globalized. Others point to periods in the past, such as the one that extended from around 1870 to the beginning of the First World War, in which economies were relatively open, goods and capital moved in great quantity and freely across countries, and large numbers of individuals migrated to far away places where they thought that there were better opportunities (Masson [2001] and Baldwin and Martin [1999]). These immigrants helped develop countries such as Australia, Argentina, Brazil, Canada and others. While this is undoubtedly true, there is a feeling that the current globalization represents a new phenomenon, something that is much more pervasive, deeper, and different than past episodes.

The pervasiveness of the current form of globalization has much to do with new technologies; with the facility and rapidity with which information can now be accessed or sent; with the large reduction in the cost of transporting goods, persons and capital that has occurred in recent decades; with the progressive transfer of sovereignty from nations to international organizations and international agreements including those on trade liberalization; with the view that a country no longer has the option of remaining isolated from the rest of the world; with the feeling that what happens to the economy of a country is significantly influenced by what is happening in the rest of the world; with the view that many domestic policy changes are promoted or, at times, even imposed or requested by outside influences or even by foreigners; and so on. Clearly, the environment in which most countries now operate is fundamentally different from that of a few decades ago.

Some argue that, at least in terms of economics, the citizens of countries, and perhaps even their governments, have lost much of their independence. In the past a country seemed to have the option of remaining close, thus insulating itself from the rest of the world. Now it no longer has that option without paying a high price.

[*] Revised version of a paper presented at the International Conference on "Globalization and Economic Growth" organized by the Mexican Senate and the Bank of Mexico. Mexico City, October 8-9, 2003.

[**] The author is a consultant at the Inter-American Development Bank. The views expressed are strictly personal; they should not be interpreted as official IDB views.

Still, if it has become more costly to remain out of the globalization process, as the examples of Myanmar and North Korea indicate, it does not mean that in joining that process a country gets automatically a free ride. There are costs and benefits in this option and, as is often the case with economic policies, the costs are normally up front and are easily identifiable while the benefits are often delayed, occur over a longer period, are more diffused among the population and, especially at the beginning, tend to be concentrated on particular groups. Therefore, the income distribution of the countries tends to become more uneven. These aspects explain why globalization gets a bad press from some quarters and, at times, even from prominent economists (Stiglitz [2002], Eichengreen [2002], Chua [2003] and Milanovic [2003]).

It may be theorized that the initial conditions of a country will determine to a considerable extent how well and how quickly the country will adjust to, and benefit from, globalization. Countries that are well educated, that are not excessively bound by strong traditions or by past policies and that have more even income distributions and more ethnically homogeneous populations will be able to benefit more quickly from globalization and the benefits will be more widely diffused. This for example has been the case with Singapore, Thailand, Korea, Ireland, Finland and perhaps Chile. However, countries that have a less educated population, that have strong traditions, and that are characterized by ethnically diverse populations are likely to have more difficulties and need more time in making the changes required by globalization. In these countries the benefits from globalization will be less evenly distributed, thus leading to stronger opposition to it. These differences will have implications for the role of government and for the desirable fiscal policy.

In the next section, I will discuss briefly and broadly some positive and negative effects that can be attributed to globalization. In Section III, I will discuss reforms that would help to take advantage of the positive effects and reforms needed to deal with, or to alleviate its, negative effects. In Section IV, I will refer to countries that have pursued significant fiscal reforms, some of them in the context of globalization. Section V is a concluding section.

II. EFFECTS OF GLOBALIZATION

Contents

A. Positive Effects

Countries that open themselves up to the rest of the world, and that introduce reforms that prepare them for the opportunities that globalization offers, generally benefit, over time, from the choice that they make. It is difficult to think of countries that have achieved economic success, in terms of economic growth and standards of living, while remaining isolated from the rest of the world. On the other hand, there are many examples of countries that have benefited from having opened their economies to the opportunities offered by globalization.

As a limited example, consider four sets of countries each set characterized by similar incomes, and by broadly similar initial conditions. Of these countries those that chose to open up, saw their incomes grow to many times the level reached by those that did not open up. The four sets are Madagascar and Maurizius; Cuba and Puerto Rico; Myanmar and Thailand; North Korea and South Korea. In all of these cases, the countries in each set had similar incomes and broadly similar conditions about four decades ago. Those listed first remained relatively close while those listed second opened themselves to the rest of the world and applied market principles to their economies. These latter countries have now per capita incomes that are, ten or more times those in the former group. As is well known relatively small differences in rates of growth generate big differences in per capita income over long periods of time.

Globalization widens the playing field in which countries operate thus creating new potential opportunities for their citizens. For example, it enlarges the size of the market in which the products can be sold. It gives countries the possibility of directing the use of their productive resources towards the production of goods and services that are in greater demand and that, therefore, command higher prices. This implies that the value of the countries output can rise in relation to their productive resources.

Countries can also benefit by the fact that in a globalized environment they can more easily buy inputs, capital goods, raw materials and consumer goods wherever these have the lowest prices or, given the prices, the best quality. These choices make it possible for labor to raise its productivity, which over the long run is the main contributor to a country's growth in per capita income, or for consumers to increase their standards of living.

Globalization can help countries to get access to new technologies and new management or organizational tools. It can also help countries to get access to foreign capital, thus, breaking the rigid constraint that domestically generated savings impose on capital accumulation. By exposing domestic firms and producers to foreign competition, globalization forces them to become more productive.

B. Negative Effects

A country with flexible and transparent rules and with an intelligent and unconstrained economic policy can benefit a lot from opening its economy to the many winds that characterize globalization.

However, several important policy changes must take place because globalization will create new opportunities but will also destroy activities that had existed behind protective walls. This process of *efficiency enhancing destruction* will cost jobs to the workers who had been engaged in those activities and will reduce or destroy the value of some capital.

The previous section mentioned the potential benefits that globalization can bring to a country. From this list of benefits it cannot be concluded that the outcome is necessarily, or always, a happy one. If this were the case, there would be no opposition to globalization. Instead there are many, and not only those who demonstrate in the streets against the World Trade Organization, who have strong views against this phenomenon. These people are able to point to some effects of globalization, on industrial workers, farmers, or domestic firms, that are clearly negative. To the worker who has lost his or her job; to the farmer who has seen the price of his crop collapse; to the firm that has had to close down because what it had been producing could no longer withstand foreign competition, the phenomenon of globalization must appear as a distinctly malignant one.

Supporters of globalization could argue that change always produces some adjustment costs and that these costs are more likely to be greater under particular circumstances and in the short run. However, for those who have to bear them, these costs are real and can be high. Furthermore, what happens in the short run may have a significant effect on the long run especially if the required policy changes are not enacted. After all, the long run is the integral, or the summation, of a series of short runs.

A country that has had its domestic activities protected by high tariffs or quotas; that has had a highly repressed financial market in which banks have accumulated assets with low rates of return and, often, liabilities in foreign currencies; where the labor market has been highly regulated thus limiting the mobility of workers and the freedom that firms have to use labor in the most efficient way; where some key prices have been controlled, supposedly to protect consumers; and where some sectors have been able to get rents because of particular government policies; this country would inevitably experience difficulties if it decided to let the forces of globalization come in too quickly. These difficulties would come in the form of closing of some enterprises; unemployment for some workers; wage reductions for others, and so on.

In most societies, there are particular individuals or groups that because of education, past training, personal attitudes, contacts abroad, or easier access to financial capital will be able more easily and *before the rest of the population* to take advantage of the opportunities that globalization offers. These are individuals who, for the most part are already in the upper percentiles of the income distribution. Some of these groups could experience rapid increases in their incomes thus leading to a worsening of the income distribution and an increase in the Gini coefficient (Kanbur [1999] and Tanzi [1998]). It is easy to see why the distribution of income could become less even in this initial stage, as reported to have happened in several countries. Especially when the gainers turn out to be ethnically different from the rest of the population, as it turns out to be in several countries, resentment could be particularly strong on the part of the losers and lead to policy reversal (Chua [2003]). Thus, even when globalization makes the whole country richer, it may still generate a lot of discontent if the increase in income is not evenly distributed. This discontent may in some cases lead to populist policies.

Two basic conclusions may be drawn from the previous discussion. The first is that, a country that goes against the world trend and that tries to prevent the forces of globalization from changing its economic activities would pay a high price over the longer run. It would experience a lower rate of growth than other countries and this difference would accumulate and become important over time. The second is that, in a country that opens up its doors to the forces of globalization, the government must play an important role to facilitate this opening and to prevent or reduce opposition to this policy. This is where fiscal policy becomes important.

Contents

III. GLOBALIZATION AND REFORM

The role that the government must play to help a country adjust successfully to the impact of globalization must have several aspects.

First, it must *remove obstacles* that could prevent the economy from operating successfully in the more open environment and from benefiting from it.

Second, it must *introduce policies* capable of dealing with the more damaging forms of market failure.

Third, it *must assist the biggest losers* from the opening of the domestic market to cope with the changes and, progressively, help them to reintegrate in the new environment.

In many countries there are obstacles that prevent markets from operating at a higher level of efficiency. These obstacles have been discussed frequently in the economic literature. Therefore, they will be mentioned here without much discussion. These obstacles can be classified as *physical*, *institutional*, or *generated by wrong policies*. The process of making an economy better prepared for a more open and more competitive environment requires changes to all three of these obstacles.

Physical infrastructure: A well working economy needs some physical infrastructures. These are generally but not always provided or financed by the government. These infrastructures include roads, ports, airports, bridges, tunnels, power lines, waterworks, sewers and so on. These infrastructures are necessary to facilitate movements of individuals and goods so that what is produced in a given geographic area can be brought without excessive costs where consumers are. If a product is produced at a cost X but it can only be sold at several times that cost, because of transportation and other costs, then the efficiency of the economy will suffer.

This is true for any economy but the opening of domestic markets to the full winds of globalization makes this aspects particularly significant because a larger share of the country's output must be exported. This opening may require major investments aimed at increasing the quality of the country's physical infrastructure and *particularly of the infrastructures that will link the country to the rest of the world*. Globalization requires a closer analysis of a country's existing infrastructure and of investments necessary to make that infrastructure adequate for the new economic environment that will include increases in exports and imports. Thus, government spending to enhance and expand the existing infrastructure will need to go up for this reason. Studies by the World Bank and by the IDB have shown that to ship products out of a country, when the roads or ports are not adequate, can be very expensive. Evidence from some countries has shown that some basic infrastructures (ports, roads) can experience major bottlenecks when trade grows rapidly.

Institutional Infrastructure: A well working economy needs efficient institutions. The quality of these institutions must be good if the country is to compete with other countries and if bureaucratic costs or red tape will not raise the cost of its exports and discourage foreign direct investment. The institutions of a country must: (a) facilitate the making of contracts and must efficiently register and enforce them; (b) protect properties and property rights; (c) mediate controversies speedily and at reasonable cost; (d) facilitate the entry into new activities, including the creation of new enterprises; (e) facilitate the exit from some activities whether the exit is voluntary or forced by bankruptcy; (f) educate new entrants into the labor force and provide retraining opportunities for workers who lose their jobs; (g) facilitate the transfer of funds from savers to investors or from one investment to an other; (h) facilitate tax administration and compliance, and (i) protect workers without introducing rigidity in the labor market; and so on.

A market economy resembles an ecological system because institutions feed upon one another and facilitate one another's work. When one institution fails (say the educational or the justice systems) it can have a significant negative impact on economic activities and on other institutions and damage the economy. For example a failed justice system makes it more difficult to have a rule- based economy and also a good tax system because tax evaders or those who do not comply with the terms of contracts will not be punished. A failed educational system leads to poorly trained citizens and workers and to an inefficient public administration. An important concept is that of *institutional externalities*; that is failure in one institution can seriously affect other institutions.

In a globalizing country, institutional failures can become particularly damaging to international competitiveness. This aspect has been implicitly recognized in recent years in annual reports prepared by research institutions that rank countries in terms of their competitiveness. The rankings are significantly influenced by the countries institutional characteristics. Correcting institutional failures to make the institutions better adapted to a changing environment is thus very important.

It is evident that a country that opens itself to the forces of globalization needs to analyze the adequacy of its institutions to the new environment. This new environment will require new or different institutions if the country is to avoid mayor problems. This was the main lesson learned by the countries of South East Asia during that financial crises of 1997-1998. For these countries there had been a lack of correlation between their economic development and their institutional development. Aspects that had appeared unimportant in a closer environment had become very important in a more open one. Examples are transparency and objectivity of rules, accounting standards, bankruptcy laws, disclosure requirements for enterprises, rules to promote competition, rules that regulate foreign investment, rules against acts of corruption and so forth.

The creation of an adequate institutional infrastructure will require additional spending on the part of the government. It will also, require the abandonment of old or traditional ways of doing things. For example, the abandonment of a system in which economic relations are based mostly on informal, interpersonal relations (which is often the case in traditional or closed economies) to replace it with a system based on clear rules that are applied objectively to all, including foreigners, calls almost for a social revolution. These changes, which may require drastic reforms in the existing institutions or the creation of new institutions, (as for example anti corruption commissions as in Hong Kong and Singapore), will often run into major obstacles, which may not necessarily be of a financial nature. The main obstacles may at times be political or social rather than financial. They will also be due to honest but misguided beliefs that "old ways are always good ways". A rule- based system will be important to stamp out corruption and to give foreigners more confidence in the country.

Policy Reforms: A country could have excellent physical and institutional infrastructures and still not perform well in a globalized world if its policies are not right. Policymakers could make mistakes in setting interest rates, in choosing a tax system, in determining the level or the composition of public spending, in choosing the exchange rate and so forth. In an internationally competitive environment, these mistakes can be costly and perhaps more costly than when they are made in a closed economy. The reason is that globalization has made possible for policymakers to get access to much larger flows of financial resources than was possible in the closed environment of the past. For this reason financial crises, stimulated by poor policies, have become more frequent over the years. On the other hand, countries that follow better economic policies are now capable of growing at much higher rates than was possible in the past, as it has been evident from the performances of China, Korea, Taiwan, Thailand, Chile, Ireland and other countries. Greater access to foreign capital, technologies, and foreign markets, made possible by globalization, has made this possible.

Markets need the attention of governments to deal with market failures. These market failures are generally related to the allocation of resources; however, in a less traditional or economic interpretation, they may relate to the distribution of income. An income distribution characterized by a very high Gini coefficient can be considered as a form of market failure. Gini coefficients are very high in the Latin American continent.

In the more traditional or more technical interpretation of market failure, the government will need to strengthen its role in enforcing rules of competition, to prevent the creation of monopolies that, especially when they are owned by foreigners, may become, or may be seen, as more damaging by the country's citizens. One of the aspects of globalization that has elicited strong reactions has been the replacement of domestic *publicly -owned* monopolies by foreign privately- owned monopolies. This has happened when public enterprises with monopoly power have been sold to private, foreign buyers without making them more competitive.[1]

The government will need to strengthen and enforce rules that require the provision of full information on various activities. This aspect is closely linked to the need for the introduction of good accounting rules that would, for example, give those who buy company shares the confidence needed for these investments. There must be rules that guarantee the safety of products and not only for domestically produced products.

It could be argued that policies that deal with market failures are necessary regardless of whether a country is close or open, or regardless of whether the world is globalized or not. While this is true, it is also true that these policies are more desirable and more needed in an environment that brings into contacts individuals from different countries and different cultures and that demands a larger role for the market.

A rapid opening of an economy to the full winds of globalization is likely to create a category of individuals who will suffer economic losses especially in the short run. These are the individuals who were working in public enterprises who lose their jobs after the enterprises are privatized; the farmers who were producing crops that are now imported; the owners and workers in industrial

[1] In some cases, the monopoly power acquired made possible for the foreign buyers to pay larger prices for the acquisition of these assets.

enterprises who were producing consumer goods behind the wall of high tariffs or quotas. Some of these people may be able to transfer quickly to other expanding activities. However, some of them may be too old or too unskilled to find easily other jobs or to create new activities in the new environment. For these people the government may need to step in with programs of anticipated retirement, compensation for unemployment, programs for retraining, subsidized loans to start other activities, and so forth. These programs may be costly and lead to higher public spending.

At the same time, as already mentioned, some groups will be better prepared or in positions to take advantage of the new opportunities. These groups could see their incomes increase rapidly thus giving rise to the often-noted outcome of a worsening income distribution. While the government cannot ignore those who suffer income reductions, it should also not ignore those who gain from the changes. The latter group must be made to contribute equitably through an adequate tax system to the higher public spending faced by the government. This leads us more directly to the question of the role of fiscal reform during globalization.

IV. GLOBALIZATION AND FISCAL REFORM

Contents

A. General Aspects

Globalization and the opening of economies have important implications for fiscal policy. The previous section discussed the need for various reforms that become necessary in a country that joins the globalizing world. It was argued that, in developing countries some of these reforms require a higher level of public spending. When the opening of the domestic market is rapid, the government will be subjected to *pressures to assist those who lose their jobs or their capital* because of the impact of foreign competition on their activities. The more rapid is the process of opening up, the greater could be the difficulties encountered by some individuals or sectors and the greater the pressures for public assistance. *For these reasons public spending is likely to increase*.

Some economists have argued that a *more open economy implies greater risks for its citizens* (Rodrik [1998]). Because a fundamental role of government is *to shelter individuals from some risks*, it has been argued that *more open economies must have a higher level of public spending to set up safety nets for citizens*. Thus as countries become more open, they must experience some growth in the share of public spending into GDP. Some empirical support for this proposition has been provided by Rodrik.

Traditional or closed economies often develop some primitive form of social protection. This protection is more based on the use of regulations than on the use of public spending.[2] In developing countries social protection is provided through: (a) controlled prices for some basic commodities; (b) tenure on jobs; (c) high employment in public enterprises; (d) low utility prices; (e) subsidized forms of credit; (f) public housing and rent controls; and (g) minimum wages and so on. This form of protection is random, inefficient and often inequitable. However for those who benefit from it, it is real and valuable.

If globalization leads to the dismantling of this primitive safety net, there will be strong pressures on the government *to replace it with a more formal or more modern system of social protection*. This has happened over the years in some of the countries of South East Asia and in Chile. Such a system could include unemployment compensation, family allowances, the provision of minimum pensions, retraining programs for displaced workers, free meals for school children, and so on. These programs could lead to a further increase in the level of public spending.

In conclusion, for all the reasons mentioned above, and *for most developing countries* where the level of public spending has been much lower than in industrial countries, *the opening of markets would lead to higher public spending and to the need to raise taxes*.

The above discussion has highlighted the connection between globalization and public spending *for developing countries*. For industrial countries, which start with an expanded public sector because of a developed welfare state, the conclusions reached above need to be amended. In these countries the main fiscal concern is the current high levels of taxation. Globalization will tend to

[2] See Tanzi [2002] for a discussion of the alternative instruments that can provide social protection.

reduce these tax levels as much recent literature has pointed out. *Thus, in industrial countries globalization will require a reduction in public spending* (Tanzi [2001] and [2002]).

In developing countries, where public expenditure and tax levels are much lower and where, as argued, there will be needs for higher public spending, *it will be necessary in many of them to raise the tax level*.[3] However, because taxes distort economic activities and discourage efforts, care must be taken in making the decision to raise taxes. This objective will need to take account that a country that opens its frontiers to freer trade may experience some revenue losses due to the elimination or lowering of import duties.

The two "work horses" that carry much of the burden in modern tax systems are the value added tax and the personal income tax. These two taxes should be the focus of the policymaker's attention. Before discussing in more details these aspects, a few comments are necessary on the impact of globalization on tax systems.

Globalization tends to put downward pressures on the level of taxation. There are many reasons for this. First, globalization and the opening of economies require that foreign trade taxes be eliminated. For developing countries where these taxes have been important, this revenue loss can create some difficulties and the need to replace it with other taxes.[4] Second, international tax competition has generated a significant reduction in the marginal tax rates for personal income taxes and for corporate income taxes. Over the past two decades these rates have fallen by some 20-percentage points on the average. Without some compensation coming from the widening of tax bases, this reduction would lead to revenue fall.

Third, the mobility of financial capital is forcing countries to reduce taxes on this important tax base. In some countries this has led to the introduction of the dual income tax that taxes financial capital at lower rates. Fourth, it has become difficult for countries to put high tax rates on luxury products because of the facility for individuals to get these products from countries where the rates are low. Finally, as I have argued elsewhere, there are other "fiscal termites" that are slowly chipping away at the foundation of tax systems. The least affected by these developments is the value added tax (Tanzi [2001]).

Countries should use the opportunity offered by the ongoing process of globalization to do what they should always do but normally don't, namely, analyze carefully and systematically their fiscal accounts to: (a) limit public spending to truly essential expenditures, eliminating those that cannot be considered essential; (b) ensure that even in the categories of essential expenditures, inefficiency is kept at a minimum, and (c) strengthen the tax system.

In industrial countries there was a phenomenal increase in public spending in the second half of the last century. This increase was especially the result of the rise in transfers and subsidies to families and enterprises associated with the creation of the welfare state. These transfers were not targeted to poorer individuals. Rather, because of political pressures and a vision of the role of the

[3] Obviously this conclusion must be qualified for some developing countries, such as Brazil and Uruguay, where the level of spending and taxation is high.

[4] For discussions of this point see Ebrill *et al.* [1999]; Abed [2000]; Peters [2000], and Tanzi [2003a].

state implied by the welfare state -protection from the cradle to the grave for everyone- the transfers were given to everyone. This made the transfers very expensive and led to an enormous increase in the share of public spending and taxes into GDP.

For these countries globalization will necessarily require a reduction in public spending because of the difficulty in maintaining current tax levels, which have often exceeded 40 percent of GDP.[5]

For developing countries the situation is generally different. In these countries the tax level has remained, on the average, under 20 percent of GDP. Therefore it has been difficult to push public expenditure to high levels. In Latin America only a few countries, such as Brazil, Uruguay, and to some extent Argentina tried to promote a European-style system of transfers and subsidies and only one country (Brazil) succeeded in pushing tax revenue to the level found in industrial countries. For Latin American countries, adjusting the fiscal accounts to deal with globalization would inevitably require more dependence on taxes. However, because of weaker budgetary controls, developing countries have used their public resources less efficiently than industrial countries. Thus, part of the adjustment in the fiscal accounts should come from promoting more efficiency in public spending.

B. Country Experiences

It is not possible to separate the fiscal reforms that could be attributed to globalization from those required as a response to past poor policies or to changes in political views on the desirable role of the state. Such a separation would require an enormous amount of work and the results would still be debatable. Therefore, some of the experiences described below should not be interpreted as necessarily linked to globalization. I shall describe, first, experiences with fiscal reforms in industrial countries and, then, those in some developing countries.

A few industrial countries, that about two decades ago had levels of taxation below the average, were able to make major improvements in their fiscal accounts by increasing the tax level. Three countries stand out: *Greece, Italy* and *Spain*. Each of these countries raised the level of taxation by at least 10 percent of GDP over a decade or so through administrative changes and through increases in personal income taxes and in other taxes. However, in more recent years the fiscal adjustments have come mainly through the reform of, or even the elimination of, some expenditure programs. *Spain* and, to a lesser extent, *Greece* have been able in more recent years to make reforms aimed at reducing public spending. *Italy* has been less successful so far.

Canada was able to sharply reduce its fiscal deficit and growing public debt by making major expenditure cuts in social areas, including health, both at the federal and the provincial levels. This reduction reversed the increasing trend in the share of public debt into GDP and reduced interest rates and interest payments. There is no evidence to indicate that the country has suffered because of these cuts.

[5] See Tanzi [2002]. In several industrial countries the share of public spending in GDP has fallen significantly in recent years.

After the collapse of the Soviet Union, that had been its major trading partner, *Finland* had to make major cuts, in transfers and in subsidies. It reduced both the fiscal deficit and the share of public spending into GDP. Rather than suffer from the cuts, the economy was revitalized and, in recent years has been one of the best performing European countries. Neither its welfare state, now a much leaner one, nor its competitiveness have suffered. On the contrary it seems to have come out of the fiscal diet to which it was subjected in a straightened condition. Perhaps because of its small and homogeneous population it has been a country that has been most able to take advantage of the opportunities offered by globalization. It has strengthened its educational and research activity thus creating the conditions for technologically advanced exports.

In the 1980s *Ireland* had a large public sector deficit driven by high public spending and a narrow tax base. By 1984 its public debt has reached 126 percent of GDP. Its economy was over regulated and inefficient. In the late 1980s it undertook major structural fiscal reforms based largely on expenditure and tax cuts. Its tax rate on manufacturing activities became one of the lowest in the world and many regulations were eliminated, thus reducing enormously red tape and other obstacles to economic activities. It soon became one of the most competitive economies in the world. These changes led to sharp falls in real interest rates and to major increase in private investments, including foreign direct investment. Particular tax incentives, focused exclusively at attracting investment in the manufacturing sector helped to make this one of the fastest growing and best performing economies in the world. Once again its homogeneous population probably helped in making possible the needed reforms.[6]

Australia and New Zealand are two countries that have become pioneers in major fiscal reforms. These reforms started in New Zealand in the early 1980s and spread to Australia. Over the years these reforms have been much deeper than in many other countries. They have changed the fiscal landscape of these two countries and have begun to influence other countries. In the early 1980s both of these countries faced productivity and economic growth rates that were low by international standards. They also faced fiscal difficulties of both macroeconomic and structural character.

The reforms comprised: the presentation of budgets which emphasized accrual rather than cash flows; the privatization or corporatization of major public corporations to reduce political influences on them; the reliance on public-private partnerships in the provision of infrastructure services (roads, prisons); the sale of public assets on the assumption that their use would be more efficient in the private sector; reforms of the pension system to make pensions reflect contributions and to guarantee minimum pensions financed through general taxes; the introduction of a value added tax with one rate on a broad base; the reduction in the marginal tax rates for income taxes; and the introduction of new institutional arrangements such as Australia’s Charter of Budget Honesty Act of 1998 to ensure greater discipline, transparency and accountability in the conduct of fiscal policy; and New Zealand’s Fiscal Responsibility Act. The value added tax of New Zealand is now the most productive in the world with a spectacular revenue productivity per unit rate of VAT of 0.71 percent of GDP.

[6] By 2003, its share of public debt into GDP had fallen to 33 percent. For the situation in the mid-1980s see Alan Dukes, TD, the then Minister of Finance [1986]. For the changes since then, see Charles X. O’ Loghlin [2003].

Other industrial countries that have succeeded in making significant fiscal adjustments are Austria, Sweden, and the Netherlands.

After a period of fiscal distress in the early 1990s, that saw the fiscal deficit and the public debt reach worrisome levels, Sweden was able to make large reductions in its fiscal deficit and public debt mainly through cuts in expenditure. An important reform was that of pensions that introduced a system in which public pensions received were fully linked to contributions. Austria contained its public spending and recently introduced an ambitious pension reform. The Netherlands introduced a fiscal rule that fixed the maximum level of public spending as a share of GDP. It has also significantly reduced the share of public spending into GDP.

In all the above countries much of the adjustment in public spending has taken place by the reduction in subsidies, transfers and pensions. These were the categories that had increased the most in recent decades. Real or "exhaustive" public spending[7] has not changed much and thus it has not been much affected by the fiscal reforms. Thus, the spending connected with the traditional theoretical role of the public sector has not been reduced.

Some developing countries were also able to make major reforms to their fiscal accounts though clear success stories are more difficult to identify. Because of major constraints in many of these countries in increasing tax revenue (except in exceptional cases as for example when there was a major fall in the rate of inflation), there are few cases where large adjustments have been made on the tax side. Brazil is one of the few exceptions. When the adjustments have been made on the expenditure side, perhaps to comply with the requirements of a program negotiated with the IMF, cuts have been made to subsidies, to the wage bill, to capital spending, and to expenditure for operations and maintenance. In frequent cases, these cuts have been reversed in future years. Still a few countries are worth mentioning.

In the Americas, *Chile* clearly deserves the first mention. Over the past two decades Chile has followed a steady course aimed at creating an efficient tax system capable of financing a reasonable level of public spending. Public spending has been carefully evaluated and scrutinized to minimize inefficient or unnecessary expenditure. Cost benefit analysis has been routinely applied to decisions on new investment projects. Other programs (health, education) have been subjected to periodic detailed evaluations and pioneering reforms have been introduced in the area of pensions (with the introduction of compulsory private pensions) and education (with the large use of vouchers). Some of these reforms have become models for other countries to follow.

Chile's tax system has developed along a steady path. It generates about 18 percent of GDP in tax revenue which is average for developing countries, with a structure that minimizes distortions and disincentives and tries to respect equity. It taxes enterprises with a relatively low rate (15 percent) and individuals with progressive rates that rise to 45 percent. In this aspect its tax system resembles that of Ireland. While its tax on enterprises is one of the lowest in Latin America, the marginal tax rate on individuals is the highest. Income taxes generate about 6 percent of GDP and the larger part of this total comes from individuals and especially from higher income individuals. Its value

[7] This is spending that absorbs directly real resources. It is distinguished from cash transfers.

added tax, levied at 18 percent on a broad base, is highly productive.[8] With a productivity index of 0.45 it produces about 8 percent of GDP.

Chile has also paid a lot of attention to its tax administration trying to make it very efficient and to isolate it fully from political influences.[9]

Brazil deserves a mention for the large increase in its tax level that is now substantially higher than that of the United States and, at about 36 percent of GDP, is the highest in Latin America and one of the highest in the world among developing countries. The Brazilian tax level is now about three times the Mexican level and twice the Chilean level. However, neither the quality of its public spending nor that of its tax system deserve praise. It remains to be seen if it will succeed in maintaining its present high level of taxation. Tax revenue depends still a great deal on inefficient and distortive taxes. Major reforms are needed on the expenditure side including one that would reduce spending on pensions.[10]

Outside of the Americas *South Africa* merits a mention because, like Chile it has followed, in recent years, a steady path towards fiscal adjustment trying to use its public resources sparingly and efficiently and creating an efficient tax system while resisting the temptation of magic solutions. This country has managed to reduce its fiscal deficit by about 5-6 percent of GDP over the past decade through careful reallocation of spending and tax reform including the introduction of a broad-based value-added tax.

Malaysia and *Lithuania* have also made major reductions in public spending.

[8] The rate was recently raised to 19 percent.

[9] This is also important because in several Latin American countries political influences on administrative decisions remain strong.

[10] For a review of tax reform in Latin America see Tanzi [2003b].

V. GENERAL CONCLUSIONS

The basic conclusion of this paper is that globalization creates pressures for both industrial and developing countries to reform their fiscal accounts. These pressures are likely to become more intense over time. The reforms needed are different for the two groups of countries.

The industrial countries, and especially those that in recent decades had pushed up, to high levels, public spending, will need to reduce that spending through reforms that give a larger role to the private sector; for example through the privatization of at least parts of pensions, education, infrastructure and so on. This reduction in public expenditure is required because of the downward pressure that globalization exerts or will exert on tax revenue. There is evidence that many industrial countries have started reforming their fiscal accounts in the needed direction (Bernardi and Profeta [2003]).

The developing countries, on the other hand, face different problems. For most of them globalization creates pressures to increase public spending in particular areas. These areas include spending to upgrade the countries' infrastructures, to improve their institutions, to finance eventual costs of corrections in policies, to compensate some of those most affected by rapid globalization, to retrain some of them, and to replace the traditional primitive and inefficient system of social protection by a minimum, modern safety net. To prevent the aggravation of fiscal difficulties, they should, first, become more efficient in the use of public revenue so that the additional spending can be financed by the reduction in inefficiency or by the elimination of unnecessary spending. If they cannot do this, or if this attempt does not prove to be sufficient, they must reform their tax systems to increase tax revenue.

Although tax increases may come from different sources, modern tax systems rely mostly on two major taxes: the tax on personal incomes and the tax on value added.[11] It would be a good policy for the policymakers of developing countries to focus on these two taxes rather than look for easy or magical solutions through other taxes as for example the highly distortive tax on financial transactions that has been attracting followers in Latin America.

The income tax can serve both the objective of revenue raising and that of equity. The value added tax should serve mainly or only the objective of revenue raising. It is a mistake to try to reach equity objectives through this tax. To be effective both of these taxes require broad bases and adequate rates.

The tax on personal income can serve well the important objective of equity if it generates significant revenue and if this revenue comes mostly from taxes levied on the upper deciles of the income distribution.[12] Given the uneven income distributions in developing countries and especially in Latin American countries, it is in these deciles that most incomes are found and it is in these deciles

[11] One of the positive trends in Latin American taxation in recent year has been the reduction of the number of taxes that countries use.

[12] It has been estimated that the Gini coefficient for Latin America is around 0.50.

that would be found those who gain the most from globalization.[13] If the tax bases are broad enough, there is no need to use high rates to get adequate revenue. But broad bases require that excluded incomes be limited. In Latin America, personal income become taxable only when they reach a high share (or even a multiple) of the country's *per capita* income. This almost guarantees that most income will escape taxation and that revenue from this tax will be small. This tax can be made to generate much more revenue than has been the case in Latin America. In the judgment of this writer the difficulties have not been mainly administrative but political.

The value added tax should be the most productive source of revenue for developing countries. To achieve this objective, its productivity (measured as the share of revenue into GDP for each percentage point of tax rate), must be high.

The revenue productivity of this tax in the world is as high as 0.70 (for New Zealand) and as low as less than 0.20 for some countries. Within Latin America the range in productivity varies from around 0.20 (in Haiti, Mexico and Venezuela) about to 0.50 (for Chile and Ecuador). This means that if two countries have a basic rate of 10 percent of VAT but, respectively, productivity levels equal to 0.50 and 0.20, the first country would get about 5 percent of GDP in revenue while the second would get only 2 percent of GDP. A lot of poverty could be alleviated with the extra 3 percent of GDP in revenue! Or much infrastructure or retraining of workers could be done with this much extra revenue. For this reason it is a mistake to have value added taxes with multiple rates or with many exemptions or zero rating for domestically sold goods and services. Zero rating should be limited to exports. These characteristics, normally justified on grounds of equity, introduce inefficiencies, complicate administration and create opportunities for tax evasion and tax fraud. It is far better to have a lower single rate on most of the potential tax base and to use the extra revenue to deal with poverty and equity issues or with the pressures that globalization imposes on the spending of developing countries.

[13] Thus, making these individuals contribute to tax revenue would be a form of benefit taxation. According to the World Bank the top 10 percent of the population of Brazil receives 47.2 % of total national income.

REFERENCES

Contents

ABED, GEORGE T. "Trade Liberalization and Tax Reform in the Southern Mediterranean Region", in Bernard Hoekman and Hanoa Kheir-El Din (Eds), *Trade Policy Developments in the Middle East and North Asia*. The World Bank. 2000.

BALDWIN, RICHARD E. AND PHILIPPE MARTIN. "Two Waves of Globalization: Superficial Similarity, Fundamental Differences", in Horst Siebert (ed.), *Globalization and Labor*. Institute fur WeltshafT, Universitat Kiel. Mohr Siedeck. 1999.

BERNARDI, LUIGI AND PAOLA PROFETA (EDITORS). *Tax Systems and Tax Reform in Europe*, Rutledge. 2003.

CHUA, AMY. *The World on Fire: How Exporting Free market Democracy Breeds Ethnic Hatred and Global Instability*, New York: Doubleday. 2003.

DUKES, ALAN, TD. "An Irish Overview", in John Bristow and Declan Mc. Donagh (eds.) *Public Expenditures. The Key Issues*. Dublin: Institute of Public Administration. 1986.

EBRILL, LIAM; JANET STOTSKY AND REINT GROPP. *Revenue Implications of Trade Liberalization*, International Monetary Fund, Occasional Paper # 1180. 1999.

EICHENGREEN, BARRY. "The Globalization Wars: An Economist Report from The Front Line". *Foreign Affairs*, Vol. 81, N° 4. 2002.

KANBUR, RAVI. "Income Distribution Implications of Globalization and Liberalization in Africa", (mimeo). 1999.

MASSON, PAUL R. "Globalization: Facts and Figures", IMF Policy Discussion Paper. 2001.

MILANOVIC, BRANKO. "The Two Faces of Globalization: Against Globalization As We Know It", *World Development*, Vol. 31, N° 4. 2003.

O'LOGHLIN, CHARLES X. "Ireland, The Celtic Tiger", Power point presentation to the Conference on Globalization and Economic Growth, Mexico City. 2003.

RODRIK, DANI. "Why Do More Open Economies have Bigger Governments?", *The Journal of Political Economy*, Vol. 106, N° 5. October, 1998.

PETERS, AMOS. "The Fiscal Effects of Tariff Reduction in the Caribbean Community", (mimeo). 2002.

STIGLITZ, JOSEPH. *Globalization and Its Discontents*. New York: W.W. Norton. 2002.

TANZI, VITO. "Macroeconomic Adjustment with Mayor Structural Reforms: Implications for Employment and Income Distribution" in Vito Tanzi and Ke-Young Chu (eds.), *Income Distribution and High Quality Growth*. The MIT Press. 1998.

__________. "Globalization, Technological Developments, and the Work of Fiscal Termites", *Brooklyn Journal of International Law*, Vol. XXVI, N° 4. 2001.

__________. "Globalization and the Future of Social Protection", *Scottish Journal of Political Economy*, Vol. 49, N° 1, February. 2002.

__________. "Trade Liberalization and Trade Taxes", (mimeo). 2003a.

__________. "Taxation Reform in Latin America in the Last Decade", in J. A. Gonzalez, V. Corbo, Anne O. Krueger and Aaron Tornell (eds.), *Latin American Macroeconomic Reform: The Second Stage*. University of Chicago Press. 2003b.

Contents

INTAL PUBLICATIONS

REGULAR PUBLICATIONS

Integration & Trade. Two journal issues (English and Spanish) by subscription or individual issue purchase.

INTAL Monthly Newsletter (English, Portuguese and Spanish - Internet).

SUB-REGIONAL INTEGRATION REPORTS

ANDEAN Report. Annual publication (Spanish). English version: Internet.

CARICOM Report. Annual publication (English).

CENTRAL AMERICAN Report. Annual publication (Spanish). English version: Internet.

MERCOSUR Report. Annual publication (English, Portuguese and Spanish).

SPECIAL REPORTS

Tributación en el MERCOSUR: Evolución, comparación y posibilidades de coordinación (Spanish). Alberto Barreix and Luiz Villela. 2003.

MERCOSUR: Impacto Fiscal de la Integración Económica (Spanish and Portuguese). Luiz Villela, Alberto Barreix and Juan José Taccone (eds.). 2003.

Perspectivas y Desafíos del Proceso de Integración Argentino-Chileno a Diez Años del ACE 16 (Spanish). 2002.

América Latina a principios del Siglo XXI: Integración, Identidad y Globalización. Actitudes y expectativas de las elites latinoamericanas. Spanish (Internet).

INTAL: 35 años de Compromiso con la Integración Regional. Spanish.

Impacto del TLCAN en las exportaciones de prendas de vestir de los países de América Central y República Dominicana. Spanish (Internet).

El impacto sectorial de la integración en el MERCOSUR (Spanish and Portuguese). Juan José Taccone and Luis Jorge Garay (Eds.) 1999.

Integración en el Sector Transporte en el Cono Sur (Spanish):

Transporte Terrestre. José Alex Sant'Anna. 1997.

Puertos y vías navegables. Martín Sgut. 1997.

Los ferrocarriles y su contribución al comercio internacional. Ian Thomson. 1997.

Integración energética en el Cono Sur (Spanish). Mario A. Wiegers. 1996.

WORKING PAPERS

Las relaciones de comercio e inversión entre Colombia y Venezuela (Spanish). Eglé Iturbe de Blanco. INTAL DT-03. 1997.

MERCOSUL e Comércio Agropecuario (Portuguese). Ives Chaloult and Guillermo Hillcoat. INTAL DT-02. 1997.

The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration (English). Uziel Nogueira. INTAL WP-01. 1997.

DISSEMINATION PAPERS

El Tratado de Libre Comercio entre el Istmo Centroamericano y los Estados Unidos de América. Oportunidades, desafíos y riesgos (Spanish). Eduardo Lizano and Anabel González. INTAL DD-09. 2003.

Los países pequeños: Su rol en los procesos de integración (Spanish). Lincoln Bizzozero - Sergio Abreu. INTAL DD-08. 2000.

Capital social y cultura. Claves olvidadas del desarrollo (Spanish). Bernardo Kliksberg. INTAL DD-07. 2000.

La dimensión cultural: base para el desarrollo de América Latina y el Caribe: desde la solidaridad hacia la integración. (Spanish) Alejandra Radl. INTAL DD-06. 2000.

Cómo expandir las exportaciones de los países dentro de una economía globalizada (Spanish).
Rubens Lopes Braga. INTAL DD-05. 1999.

Comercio Electrónico: conceptos y reflexiones básicas (Spanish). Gerardo Gariboldi. INTAL DD-04. 1999.

Evolución institucional y jurídica del MERCOSUR (Spanish). Vicente Garnelo. INTAL DD-03. 1998.

Estado de evolución en la elaboración e implementación de las Normas ISO 14.000 y CODEX Alimentarius (Spanish). Laura Berón. INTAL DD-02. 1997.

Integración y democracia en América Latina y el Caribe (Spanish). Alvaro Tirado Mejía. INTAL DD-01. 1997.

DATABASES - SOFTWARE

DATAINTAL (CD-ROM) Sistema de estadísticas de comercio de América

Base INTAL MERCOSUR (BIM)

Base de datos bibliográficos (INTEG)

Directorio de las Relaciones Económicas de América Latina y el Caribe con Asia-Pacífico (CD-ROM)

Instrumentos básicos de integración económica en América Latina y el Caribe. Updated to May, 2004.

Rueda de Negocios

Red INT SERIES

THE INTEGRATION RESEARCH CENTERS NETWORK (REDINT)

Second Call*:*

Visión microeconómica de los impactos de la integración regional en las inversiones inter e intrarregionales: El caso de la CAN (only in Spanish- Short and Full version). 2003.

Integración regional e Inversión Extranjera Directa: El caso del MERCOSUR (only in Spanish- Short and Full version). 2002.

Condiciones y efectos de la IED y del proceso de integración regional en México durante los años noventa: Una perspectiva macroeconómica (only in Spanish) (short version). 2003.

First Call:

El impacto sectorial del proceso de integración subregional en la Comunidad Andina: sector lácteo y sector textil (only in Spanish). 2000.
El impacto sectorial del proceso de integración subregional en Centroamérica: sector lácteo y sector metalmecánico

(aparatos eléctricos) (only in Spanish). 2000.

El impacto sectorial del proceso de integración subregional en el MERCOSUR: sector calzado y sector farmacéutico (only in Spanish). 2000.

La industria láctea de México en el contexto del Tratado de Libre Comercio de América del Norte (TLCAN) (only in Spanish). 2000.

Contents

INTAL/ITD PUBLICATIONS

WORKING PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

Trade Liberalization and the Political Economy of Protection in Brazil since 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08B. 2004.

The Political Economy of High Protection in Brazil before 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08A. 2004.

The Food Industry in Brazil and the United States: The Effects of the FTAA on Trade and Investment (English). Paulo F. Azevedo, Fabio R. Chaddad and Elizabeth M.M.Q. Farina. INTAL-ITD WP-SITI-07. 2004.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR´s Institutionalization Agenda: The Challenges of a Project in Crisis.(English and Spanish). Pedro da Motta Veiga. INTAL-ITD WP-SITI-06E. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. Exchange Rate Instability in MERCOSUR: Causes, Problems and Possible Solutions (English and Spanish). José Luis Machinea. INTAL-ITD WP-SITI-06D. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR: Dillemas and Alternatives for the Trade Agenda (English and Spanish). Sandra Polónia Rios. INTAL-ITD WP-SITI-06C. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. MERCOSUR´s Insertion into a Globalized World (English and Spanish). Juan Ignacio García Pelufo. INTAL-ITD WP-SITI-06B. 2003.

MERCOSUR: IN SEARCH OF A NEW AGENDA. Rapporteur's Report (English and Spanish). Andrew Crawley. INTAL-ITD WP-SITI-06A. 2004.

Estudio sobre las condiciones y posibilidades políticas de la integración hemisférica (Spanish). Adalberto Rodríguez Giavarini. INTAL-ITD DT-IECI-05. 2003.

Agricultural and Trade Policy on Trade Liberalization and Integration via a US-Central American Free Trade Agreement (English). Dale Hathaway. INTAL-ITD WP-SITI-04. 2003.

Agricultural Liberalization in Multilateral and Regional Trade Negotiations (English). Marcos Sawaya Jank, Ian Fuchsloch and Géraldine Kutas. INTAL-ITD-STA WP-SITI-03. 2003.

Reciprocity in the FTAA: The Roles of Market Access, Institutions and Negotiating Capacity (English). Julio J. Nogués. INTAL-ITD-STA WP-SITI-02. 2003.

Free Trade Area of the Americas: The Scope of the Negotiations (English and Spanish). Herminio Blanco M. and Jaime Zabludovsky K. INTAL-ITD-STA WP-SITI-01. 2003.

WORKING PAPERS

Improving the Access of MERCOSUR´s Agriculture Exports to US: Lessons from NAFTA (English).
Pablo Sanguinetti and Eduardo Bianchi. INTAL-ITD WP-18. 2004.

Premio INTAL - Segundo Concurso de Ensayos. La coordinación macroeconómica y la cooperación monetaria, sus costos, beneficios y aplicabilidad en acuerdos regionales de integración (Spanish, English and Portuguese).
Mauricio de la Cuba; Diego Winkelried; Igor Barenboim; Louis Bertone; Alejandro Jacobo and James Loveday Laghi.
INTAL-ITD DT-17. 2004.

Agricultural Exporters in a Protectionist World: Review and Policy Implications of Barriers Against Mercosur (English). Julio J. Nogués. INTAL-ITD WP-16. 2004.

Rules of Origin in FTAs in Europe and in the Americas: Issues and Implications for the EU-Mercosur Inter-Regional Association Agreement (English). Antoni Estevadeordal and Kati Suominen. INTAL-ITD WP-15. 2004.

Regional Integration and Productivity: The Experiences of Brazil and Mexico (English).
Ernesto López-Córdova and Mauricio Mesquita Moreira. INTAL-ITD-STA WP-14. 2003.

Regional Banks and Regionalism: A New Frontier for Development Financing (English).
Robert Devlin and Lucio Castro. INTAL-ITD-STA WP-13. 2002.

Métodos casuísticos de evaluación de impacto para negociaciones comerciales internacionales (Spanish).
Antonio Bonet Madurga. INTAL-ITD-STA DT-12. 2002.

Las trabas no arancelarias en el comercio bilateral agroalimentario entre Venezuela y Colombia (Spanish).
Alejandro Gutiérrez S. INTAL-ITD-STA DT-11. 2002.

The Outlier Sectors: Areas of Non-Free Trade in the North American Free Trade Agreement (English).
Eric Miller. INTAL-ITD-STA WP-10. 2002.

A ALCA no limiar do século XXI: Brasil e EUA na negociação comercial hemisférica (Portuguese).
Antonio José Ferreira Simões. INTAL-ITD-STA DT-09. 2002.

Metodología para el análisis de regímenes de origen. Aplicación en el caso de las Américas (Spanish).
Luis J. Garay S. y Rafael Cornejo. INTAL-ITD-STA DT-08. 2001.

Qué hay de Nuevo en el Nuevo Regionalismo de las Américas? (Spanish).
Robert Devlin and Antoni Estevadeordal. INTAL-ITD-STA DT-07. 2001.

What's New in the New Regionalism in the Americas? (English and Spanish).
Robert Devlin and Antoni Estevadeordal. INTAL-ITD-STA WP-06. 2001.

The New Regionalism in the Americas: The Case of MERCOSUR. (English).
Antoni Estevadeordal, Junichi Goto and Raúl Saez. INTAL-ITD WP-05. 2000.

El ALCA y la OMC: Especulaciones en torno a su interacción (Spanish).
Jaime Granados. INTAL-ITD DT-04. 1999.

Negotiating Preferential Market Access: The Case of NAFTA (English).
Antoni Estevadeordal. INTAL-ITD WP-03. 1999.

Towards an Evaluation of Regional Integration in Latin America in the 1990s (English). Robert Devlin and Ricardo Ffrench-Davis. INTAL-ITD WP-02. 1998.

Una evaluación de la homogeneidad macroeconómica y del desarrollo de la región centroamericana (Spanish).
Florencio Ballestero. INTAL-ITD DT-01. 1998.

OCCASIONAL PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

Globalization and the Nedd for Fiscal Reform in Developing Countries (English).
Vito Tanzi. INTAL-ITD OP-SITI-06. 2004.

Latin American Industrial Competitiveness and the Challenge of Globalization (English). Sanjaya Lall, Manuel Albaladejo and Mauricio Mesquita Moreira. INTAL-ITD OP-SITI-05. 2004.

El nuevo interregionalismo trasatlántico: La asociación estratégica Unión Europea-América Latina (Spanish).
Luis Xavier Grisanti. INTAL-ITD/SOE IECI-DD-04. 2004.

A Key to Hemispheric Integration (English and Spanish). Herminio Blanco M., Jaime Zabludovsky K. and Sergio Gómez Lora. INTAL-ITD OP-SITI-03. 2004.

A New Approach to Trade Development in Latin America (English and Spanish). Martín Redrado and Hernán Lacunza. INTAL-ITD OP-SITI-02. 2004.

La coordinación y negociación conjunta de los países de la Comunidad Andina en el marco del ALCA y la OMC (Spanish). Victor Rico. INTAL-ITD DD-IECI-01. 2004.

OCCASIONAL PAPERS

El tratamiento de las asimetrías en los acuerdos de integración regional (Spanish). Paolo Giordano, Mauricio Mesquita Moreira y Fernando Quevedo. INTAL-ITD DD-26. 2004.

Centroamérica: La programación regional (2001) y las actividades del Banco (2001-2003) (Spanish).
Ennio Rodríguez. INTAL-ITD DD-25. 2004.

Brazil's Trade Liberalization and Growth: Has it Failed? (English). Mauricio Mesquita Moreira.
INTAL-ITD OP-24. 2004.

Trinidad and Tobago: Trade Performance and Policy Issues in an Era of Growing Liberalization (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-23. 2004.

The Trade and Cooperation Nexus: How Does Mercosur-EU Process Measure Up? (English). Robert Devlin, Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD-STA OP-22. 2003.

Desigualdad regional y gasto público en México (Spanish). Rafael Gamboa and Miguel Messmacher.
INTAL-ITD-STA DD-21. 2003.

Zonas Francas y otros regímenes especiales en un contexto de negociaciones comerciales multilaterales y regionales (Spanish). Jaime Granados. INTAL-ITD-STA DD-20. 2003.

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union (English).
Paolo Giordano. INTAL-ITD-STA OP-19. 2003.

Regional Aspects of Brazil's Trade Policy (English). Eduardo A. Haddad (coord.), Edson P. Domínguez and Fernando S. Perobelli. INTAL-ITD-STA OP-18. 2002.

El proceso de integración Argentina-Brasil en perspectiva: El ciclo cambiario y la relación público-privada en Argentina (Spanish). Ricardo Rozemberg and Gustavo Svarzman. INTAL-ITD-STA DD-17. 2002.

A Study on the Activities of IFIs in the Area of Export Credit Insurance and Export Finance (English).
Malcom Stephens and Diana Smallridge. INTAL-ITD-STA OP-16. 2002.

Diseños institucionales y gestión de la política comercial exterior en América Latina (Spanish).

Jacint Jordana and Carles Ramió. INTAL-ITD-STA DD-15. 2002.

Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil (Portuguese). Paulo Roberto de Almeida. INTAL-ITD-STA DD-14. 2002.

The Trade Policy-Making Process Level One of the Two Level Game: Country Studies in the Western Hemisphere (English and Spanish). INTAL-ITD-STA OP-13. 2002.

Search for a New Partnership in Trade and Investment between Latin America and Asia-Pacific (English). Mikio Kuwayama. INTAL-ITD-STA OP-12. 2001. Spanish version: Internet.

Regional Public Goods in Official Development Assistance (English). Marco Ferroni. INTAL-ITD-STA OP-11. 2001.

Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives (English). Anneke Jessen and Andrew Katona. INTAL-ITD-STA OP-10. 2001.

NAFTA and the Mexican Economy: Analytical Issues and Lessons for the FTAA (English). J. Ernesto López-Córdova. INTAL-ITD-STA OP-09. 2001.

La integración comercial centroamericana: Un marco interpretativo y cursos de acción plausible (Spanish). Jaime Granados. INTAL-ITD DD-08. 2001.

Negotiating Market Access between the European Union and MERCOSUR: Issues and Prospects (English). Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD OP-07. 2000.

The Free Trade Area of the Americas and MERCOSUR-European Union Free Trade Processes: Can they Learn from Each Other? (English). Robert Devlin. INTAL-ITD OP-06. 2000.

The FTAA: Some Longer Term Issues (English). Robert Devlin, Antoni Estevadeordal and Luis Jorge Garay. INTAL-ITD OP-05. 1999.

Financial Services in the Trading System: Progress and Prospects (English). Eric Miller. INTAL-ITD OP-04. 1999.

Government Procurement and Free Trade in the Americas (English). Jorge Claro de la Maza and Roberto Camblor. INTAL-ITD OP-03. 1999.

The Caribbean Community: Facing the Challenges of Regional and Global Integration (English). Anneke Jessen and Ennio Rodríguez. INTAL-ITD OP-02. 1999.

ALCA: Un proceso en marcha (Spanish). Nohra Rey de Marulanda. INTAL-ITD DD-01. 1998.

INTAL/ITD /SOE PUBLICATIONS

Contents

Euro-Latin Study Network on Integration and Trade (ELSNIT)

Issues Papers. First Annual Conference. (English). INTAL-ITD-SOE. 2004

INT/ITD PUBLICATIONS

Contents

Working Papers

MERCOSUR: Achievements and Challenges. Carlos Sepúlveda and Arturo Vera Aguirre. Working Paper # 222. September 1997 (also available in Spanish).

Transport Infrastructure in Latin America. Arturo Vera Aguirre. Working Paper # 221. July 1997 (also available in Spanish).

Convergence and Divergence Between NAFTA, Chile, and MERCOSUR: Overcoming Dilemmas of North and South American Economic Integration. Raúl A. Hinojosa-Ojeda, Jeffrey D. Lewis and Sherman Robinson. Working Paper # 219. May 1997.

Towards Free Trade in the Western Hemisphere: The FTAA Process and the Technical Support of the Inter-American Development Bank. Enrique V. Iglesias. Working Paper # 217. July 1997 (also available in Spanish)

Economic Integration and Equal Distribution. Willem Molle. Working Paper # 216. May 1997.

What can European Experience Teach Latin America About Integration. L. Alan Winters. Working Paper # 215. May 1997.

Facts, Fallacies and Free Trade: A Note on Linking Trade Integration to Labor Standards. Donald J. Robbins. Working Paper # 214. May 1997.

From Miami to Cartagena: Nine Lessons and Nine Challenges of the FTAA. Robert Devlin and Luis Jorge Garay. Working Paper # 211. July 1996 (also available in Spanish).

Common Market of the Southern Cone: MERCOSUR. Martin Arocena. Working Paper # 204. September 1995 (also available in Spanish).

SPECIAL PUBLICATIONS

Periodic Note on Integration and Trade in the Americas, July 1995; February, August and December 1996; July and December 1997; August and December 1998; February and October 1999; October and December 2000; May 2002; December 2002; December 2003; January 2004; May 2004 (also available in Spanish and 1997 versions also in Portuguese).

The Euro and its Effect on the Economy and the Integration of Latin America and the Caribbean. Roberto Zahler. Paper presented at the Seminar "Euro and its International Impact" on occasion of the Annual Meetings of the Boards of Governors. France, March 16, 1999 (also available in Spanish).

Extract from the Bank's 1996 Report on Economic and Social Progress in Latin America, Part II, Chapter 2: Trade Liberalization, 1996 (also available in Spanish).

European Economic and Monetary Union: Recent Progress and Possible Implications for Latin America and the Caribbean. March 1997 (also available in Spanish).

Globalization and Regional Integration: Consequences for Latin America. Speech delivered by Enrique V. Iglesias at the Seminar on "A Critical View of Globality". Mexico City, November 1997 (also available in Spanish).

Protection, Preferential Tariff Elimination and Rules of Origin in the Americas - An Overview. Luis Jorge Garay and Antoni Estevadeordal. June 1995 (also available in Spanish).

The New Face of Regional Integration in Latin America and the Caribbean. Speech delivered by Enrique V. Iglesias at The Annual World Bank Conference on Development in Latin America and the Caribbean. Montevideo, July 1997 (also available in Spanish).

Free Trade Area of the Americas: From Miami to Belo Horizonte. Speech delivered by Enrique V. Iglesias at the III Business Forum of the Americas. Belo Horizonte, May 1997 (English, Portuguese and Spanish).

Transpacific Partnership: Latin America's Role. Speech delivered by Enrique V. Iglesias at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC XII). Santiago, September, 1997 (also available in Spanish).

Special Initiative on Trade and Integration