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## Business-Government Interaction in Policy Councils in Latin America - Cheap Talk, Expensive Exchanges, or Collaborative Learning?

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## Abstract<sup>1</sup>

While effective industrial policy requires close cooperation between government and business, there is little agreement on what makes that cooperation work best. This paper analyzes institutional arrangements for public-private cooperation and the character of private sector representation. Questions on institutional design focus on three main issues: i) maximizing the benefits of dialogue and information exchange; ii) motivating participation through authoritative allocation; and iii) minimizing unproductive rent seeking. Key elements in the nature of business representation through associations are the quality of research staff and internal mechanisms for reconciling divergent preferences within associations. The empirical analysis also disaggregates councils by scope (economy-wide versus targeted), function (trade, upgrading, technology, etc.), sector (agriculture, industry, services), and level (national, provincial, and municipal).

**JEL Classifications:** O25, O32, O54

**Keywords:** Industrial policy, Business-Government relations, Rent seeking

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# 1. Introduction

Ongoing development, globalization, and integration in the international economy have rendered the challenges of state intervention into the private economy through industrial policy increasingly complex, delicate, and information intensive.<sup>2</sup> In fact, some scholars like Howard Pack and Kamal Saggi are skeptical that industrial policy can work, largely because the informational constraints are so “severe.” They list 15 sets of complex issues that policymakers would have to be knowledgeable about and conclude that “the sheer knowledge and skill requirements would exceed that possessed by almost any institution, including the best consulting firms” (Pack and Saggi, 2006: 273, 281–2).

The solution proposed by many to managing these informational and other complexities is more intricate, intensive, and continuous contact between government officials and business people.<sup>3</sup> The theoretical and practical implications are that policy analysis should pay more attention to business and that research needs to look beyond the quality of policy and the quality of the agencies of government making policy to examine in greater depth the nature of relations between public and private actors (Rodrik, 2007). Hausmann, Rodrik, and Sabel go so far as to define industrial policy as process rather than outcome or policy: “we take ‘good’ industrial policy to consist of those institutional arrangements and practices that organize this collaboration [between public and private sectors] effectively” (2007, 4).<sup>4</sup> Yet, while many scholars agree that business-government collaboration, partnership, and dialogue are crucial, almost no one attempts to identify the specific institutions best suited to promote that collaboration.

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<sup>2</sup> Pack and Saggi (2006: 267–8) define industrial policy as, “any type of selective government intervention or policy that attempts to alter the structure of production in favor of sectors that are expected to offer better prospects for economic growth in a way that would not occur in the absence of such intervention in the market equilibrium.”

<sup>3</sup> For example, after surveying the poor economic performance in Latin America in the 1990s, Barbara Stallings and Wilson Peres concluded that, looking forward, “it is therefore essential for the government and private actors to work together more closely. The risky environment created by globalization, combined with the opening of regional economies, requires such collaboration to strengthen the competitive position of Latin American countries. At the same time, the lower volume of resources at the disposal of the public sector means that more activities must be carried out in collaboration” (2000: 220). Sabel (2009: 5) calls for “public-private partnerships, where private or local knowledge helps steer the exercise of authority...” Kuznetsov and Dahlman (2008: 112) recommend for Mexico a “Knowledge Economy Pact” between business and government.

<sup>4</sup> In their study of Colombian institutions that promoted competitiveness, Porter and his research team found that among the features “associated with high performance institutions,” the first was a substantial role for business: “best practice institutions tend to have substantial private sector representation, and corresponding control rights, on the institution’s governing board of directors” (Porter et al., 2002: 14).

One likely candidate is the joint business-government council. Outside Latin America, business-government councils are widespread and often associated with positive economic performance. Japan has long relied on councils and may have been a regional model for later developers. Over two hundred consultative councils (*shingikai*) “deliberate and report on every conceivable area of public policy” (Schwartz, 1992: 218). Some councils dated from the early twentieth century, but most, ironically, were imposed by the U.S. occupation that created the framework legislation for councils in order to constrain the bureaucracy and make it more accountable. Councils related to economic policy had substantial representation from business, mostly channeled through encompassing or sectoral associations. Although often criticized as handmaidens of their respective ministries, councils performed important functions in reconciling divergent interests, coordinating expectations, and facilitating policy implementation (Schwartz, 1992: 231–2). Other high-growth Asian economies such as Korea, Taiwan, and Singapore are also rife with business-government councils (Campos and Root, 1996). In northern Europe, councils are integral elements of “coordinated market economies” or CMES (Hall and Soskice, 2001; see also Katzenstein, 1985). In other countries such as France, policy failures are attributed to the absence of institutions to promote effective collaboration between business and government (Levy, 1999).

Social science theory is divided on the effects of close business-government relations. Some see great potential for more effective policy making and implementation. Peter Evans (1995) provided the most elaborated treatment in his concept of “embedded autonomy,” where states are autonomous and staffed by competent professional bureaucrats, yet embedded in close connections to business. This embedded autonomy was the essential ingredient in the success of East Asian tigers relative to other developing countries (see also Amsden, 1989 and 2001; Campos and Root, 1996; Sabel, 1994.). This close relationship and exchange is also central to collaborative learning. Opposing theories claim that close relations between business and government are more likely to end in rent seeking or worse. Mancur Olson and others focusing on sectoral politics have taken the lead in elaborating this less optimistic view (see Olson, 1982; Frieden, 1991; Schamis, 2002). There is also the possibility of cheap talk; that meetings are of little value to the participants, or have little impact, positive or negative, on policy and performance.

In fact, there are plenty of empirical examples of both negative and positive relations, and hundreds of councils have little impact on policies, learning, or rents. The analytic challenge is to determine the conditions under which one or the other outcome is more likely. For Evans, a professional, meritocratic, career civil service—what he termed a Weberian bureaucracy—was a first necessary condition. Other theories emphasized aspects of state motivation (Woo-Cumings 1999; Kohli, 2004) or state capacity, especially the ability to impose performance standards on private firms (Amsden, 1989; Chibber, 2005). These aspects of the state side of the relationship are important, but it is crucial to expand the analysis on the business side, specifically the institutional arrangements, or councils, for public-private intermediation and the quality of business representation on those councils.

What is a council? In practice governments use a variety of different labels including councils, boards, forums, and public-private dialogue (PPD), but to simplify the presentation all these are grouped under the general label of council. In principle, business-government councils can be differentiated by formal functions and goals: deliberation, consultation, implementation, and oversight. Deliberative councils discuss policy options and either set policy directly or make recommendations to executive agencies. In consultative forums, government representatives bring policy proposals or decisions to the council for feedback and suggestions. Executive and implementation councils take broad policy guidelines and decide the specifics of how to implement them. Lastly, oversight councils or boards monitor results and the performance of private firms and government agencies in fulfilling policy goals (that the boards may not have set). In practice, however, many councils are charged with multiple functions, and even in cases of councils with narrow formal mandates, council members may expand their functions informally. In any case, impact assessments need to be attuned to the varying responsibilities and functions of councils in order to compare results with actually intended outcomes.

There are several metrics for gauging the impact of business-government councils. One metric would be whether the council promotes the desired outcome in greater quantity and quality (exports, innovation, training, productivity, growth, etc.) than would be expected without public-private cooperation. Methodologically though the net impact is difficult to measure, in part because the comparative baseline is a counterfactual, namely what would have happened in the absence of a council (see Pack and Saggi, 2006). Moreover, it is difficult to separate out the net impact of the policy versus the net impact of the council. Put differently, if the policy is



flawed, a council can do little to improve the outcome except recommend that the policy be changed or jettisoned.

The possibility of policy change gets at a second metric: the contribution of business-government councils to the quality of policy and policymaking. This approach asks less should governments adopt industrial policies but rather, assuming governments will continue to adopt interventionist policies, what can business-government councils contribute to the process. This metric also runs into the problem of the counterfactual—it is hard to say what policymaking would have looked like without a council. This metric also suffers from problems of measurement, as there is no common measure of the quality of policy making, and such assessments rely heavily on the views (partial, subjective, and possibly biased) of the participants themselves. In compensation, process tracing within councils can help show how participants came to recognize and solve particular problems. Moreover, precise measurement is less of a problem if the goal is to identify a range of councils from completely ineffectual to strongly functional. Given that councils come in all shapes and sizes, and assuming that governments will continue to adopt industrial policies and create councils, then it seems worthwhile to see if there are patterns of covariation among types of councils and better and worse policy processes.

For purposes of brevity, the core arguments for the conditions of success can be labeled i) the institutional design hypothesis and ii) the cost-benefit hypothesis. Each hypothesis, or condition—appropriate design and positive benefits—seems necessary but not sufficient (though if the benefits are substantial enough they may encourage adjustments in design). The institutional design hypothesis can be broken down into subcomponents such as manageable mandates, adequate frequency and duration of interaction (longer term time horizons), effective representation of business, competent technical staff, and small numbers of participants. Section 2 provides further elaboration of each of these dimensions.<sup>5</sup>

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<sup>5</sup> This analysis is narrowly focused on the institutions of business-government interaction as well as organizational features of the parties involved. The broader context, both institutional and conjunctural, can also have important influences on business-government dialogue and is factored in when directly relevant to the function of the councils. However, a systematic consideration of all relevant contextual factors such as the party and electoral systems, the partisan orientation of government, the sectoral distribution of economic activity, the split between foreign and domestic ownership, etc., is beyond the scope of this paper.

The cost-benefit hypothesis is focused on what potential pay offs would compensate participants for the high cost of their participation. Beyond the significant opportunity cost of the time spent in long meetings, representatives from government and business each incur less tangible, but nonetheless high, costs: government in ceding some policy prerogatives to the council and business in divulging insider information that may make it vulnerable. At the same time, each of these costs though represents a significant benefit for the other side. Other benefits are external, and can range from avoiding the costs of a crisis, maintaining competitiveness (avoiding a future crisis), and/or distributing budgetary resources or other government regulations. In most cases invited participants show up for the first meeting, but attendance and engagement falls off in the absence of substantial benefits.

Section 2 further elaborates core distinctions in the institutional arrangements and motivating logics to elaborate more specific hypotheses on what makes some councils more successful than others. Section 3 turns to the examination of major empirical cases, disaggregated by their function, sector, and geographic and programmatic scope. Appendixes A and B provide further data on the broad range of activities and diverse institutional formats of recent councils in Latin America.

## **2. What Happens in Councils: Disaggregating Interactions**

This section takes a closer theoretical and comparative look at various types of possible benefits of dialogue between business and government, as well as the elements of institutional design, business representation, and motivating logics that promote better forms of interaction.

*Benefits.* What are the major benefits of dialogue between representatives of government and business?<sup>6</sup> For Campos and Root, the benefits are many: “A council serves as a convenient channel for collecting relevant information from, and distributing it to, its participants. It thus improves economic efficiency: it supplements the allocative function of markets by facilitating coordinated responses to changes in economic conditions. A council also helps reduce the opportunities for and welfare losses from rent seeking. Furthermore a council performs a commitment function, binding sovereign authority to a set of rules governing economic

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<sup>6</sup> See also Herzberg and Wright (2005).

policymaking. Hence it helps minimize economic distortions attributable to the nonsimultaneity of the costs and benefits of a policy” (1996: 99).

Some of the main hypothesized benefits—information, coordination, and credibility or trust—can be separated out by time frame. In the short run, there is an immediate information benefit for policy makers from talking to business people who know their operations better, as well as a benefit for businesspeople, especially from smaller firms, who may know less than policymakers about the international environment or the domestic macro-economic context. In the medium term, representatives of business and government can work out coordination issues, especially co-dependent investments by government and business or by businesses at various points in the productive chain. Over the longer term, with frequent reiterated interactions, business-government dialogue can promote consensus-building, reciprocity, trust, and collective learning (Maxfield and Schneider, 1997; Sabel, 1994; Amsden, 1989). The vast majority of consultations between business and government probably do not generate many benefits. Generating more of these benefits seems to depend heavily on appropriate institutional arrangements and strong motivations or valuable incentives, conditions that are frequently lacking.

*Institutional arrangements.*<sup>7</sup> There are two crucial goals of institutional design: i) maximizing the benefits of dialogue and ii) minimizing the potential for rent seeking. What makes institutional design especially fraught is that these two goals are often in conflict (I return to this tension later in the discussion of rent seeking). Several issues in the composition or selection of participants, especially from business, matter for enhancing dialogue. For example, *smaller numbers* of participants facilitates consensus building and favors, over the longer term, interpersonal trust. However, keeping numbers small has to be balanced against the need to have all relevant parties at the table. Business associations, considered below, can help resolve the tension between inclusion and small numbers if one or several representatives can effectively

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<sup>7</sup> In a practitioners’ guide, Herzberg and Wright focus on “six key factors in setting up and running a competitiveness partnership: ignition, organizing participation, structure, setting and reaching goals, the role of donors, and communications strategy” (Herzberg and Wright, 2005: 10). By competitiveness partnership they mean a council designed to accelerate government reform and improve the investment climate. The review here is more theoretical and focused on a wider range of industrial policies.

represent larger numbers of business people.<sup>8</sup> Similarly, greater *homogeneity* among business participants makes it easier to come to agreement (Olson, 1965). So, a small number of large producers in a single sector will have an easier time than will large numbers of different sized firms from different sectors. This homogeneity dimension is more dependent on the function of the council (macro or sectoral, for instance), than on institutional design. However, it does suggest that adding in non-business stakeholders like labor unions or citizen groups will complicate deliberations on industrial policy (though they are crucial for tripartite negotiations over distributional issues).

The institutional design should also regulate what parts of the dialogue are off the record and what parts on. Meaningful sharing of information among participants will in most cases require a *guarantee of confidentiality*. In practice, this guarantee is only in small measure a matter of design and rules. It will only become credible over time as participants build reputations by sharing information that is not subsequently leaked or abused.

Although *time horizons* are generally short in Latin America, and institutional instability not uncommon, institutional design can be important at the outset in signaling likely horizons. Meetings can be called on an ad hoc basis, established by executive order, or legislated into law, in ascending order of the length of expected horizons of the participants. At the outer extreme, participants may be appointed with fixed mandates, and protected from dismissal, as with regulatory agencies. Statutes or other measures that establish a fixed frequency of meetings also establish the more important expectation of reiterated commitments with the same people. Weekly or monthly meetings raise expectations of reiterated interactions with the same set of business and government representatives. Quarterly or yearly meetings, in contrast, raise the probability of turnover among members and reduce the incentive to invest in personal relationships. Significant in this regard, especially in comparison with other regions, is the high number of political appointees in the top ranks of government in Latin America. Virtually all ministry officials in the top three-four levels of the executive branch throughout the Americas (including the United States) are appointed by presidents. Political appointees are more likely to lose their jobs or get appointed to new jobs than are career civil servants.

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<sup>8</sup> For Herzberg and Wright (2005: 13), “the plenary group should contain no more than 20 participants and should include intermediaries such as business associations whenever possible, the aim being to reach out to thousands of businesses without making meetings unwieldy.”

The *level of the representation* at the council table also affects the dialogue. Some think it is crucial to have the highest level representation from the government, including the President if possible.<sup>9</sup> Such high-level representation has the advantage of convincing business participants that the council will take significant decisions on allocation (see below) regardless of its formal attributes. For business it is nearly always worthwhile to sit in small meetings with Presidents (lame ducks less so), both to convey business views in a mostly private setting and to hear what Presidents have to say about policy directions. However, having the President involved can also signal that the council will not have a long time horizon. The maximum would be the President's term, but the expectation would also be that the President will stop attending once his or her attention is taken up with other issues. In contrast, councils comprised largely of lower-level officials and representatives of business associations lack strong political backing and authority. However, they may have statutory authority to allocate resources, and have the big advantage of being able to set aside political posturing to deal with issues on a more technical basis. Moreover, if the lower-level officials are professional staff at the association and career officials from ministries, then they will have longer time horizons.

As noted in the introduction, the institutional design of councils usually sets the varying *functions or responsibilities* (deliberative, consultative, implementation, or oversight). Knowing these functions is crucial for establishing expectations and benchmarks for success. So, for example, a council charged with promoting general discussions between government and business may appear to accomplish little in terms of changing policy or behavior, but then that was not the intention. Such general, open-ended forums may be especially important in contexts where there has been little previous contact, as for example in the case of political transitions or the arrival to power of previously excluded parties and politicians (Herzberg and Wright, 2005: 8). Otherwise the hypothesis would be that councils are likely to function better if the goals are narrow and measurable (increasing exports or upgrading production in a particular sector, for example) rather

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<sup>9</sup> For Herzberg and Wright, "government representation must be at the highest possible level for the partnership to have credibility: a consistent feature of competitiveness partnerships is the correlation between the progress achieved and the seniority of government figures involved" (2005: 14). High-level representation may be more important in partnerships designed to change the public sector to improve the investment climate rather than in councils charged with industrial policies designed to change business behavior.

than broad and unmeasurable (research and development, or innovation).<sup>10</sup> This hypothesis is based partly on economies of scale and positive feedback loops—if a council reaches a decision that leads to measurable improvement, then it reinforces the perception that the council is capable of making important decisions and reduces the costs of making the next. The hypothesis is also premised on the greater likelihood that councils with broad, vague, open-ended mandates will spend a lot of time trying to decide what to do and are therefore more likely to encounter disagreements along the way.

Another crucial aspect of setting the functions and goals of councils is whether the main purpose is to change behavior in the private sector or in the public sector. In some cases it may be both, as with councils designed to coordinate public inputs (such as transportation infrastructure) with private investments. However, other councils may seek primarily to change public behavior, especially reforming rules and regulations to make it easier to do business. This was the case in most of the “public-private dialogue” (PPD) supported by the World Bank, especially in Africa and transition economies (interview with Benjamin Herzberg, 8 October 2008). In other instances, especially of industrial policy, the goal is primarily to use public rules and resources to alter private behavior—to get SMEs to export more, to get firms to invest more in R&D, to get firms to enter new sectors, and so forth.

Although not necessarily part of the statutory regulation, some councils have dedicated and *competent technical staff* who can be crucial for making progress both at and between meetings.<sup>11</sup> That is, council members may discuss policy options or reveal areas where they need more information. If the council lacks staff to follow up, then the council is more likely to end up in inconclusive “cheap talk.” Staff may be even more proactive in generating new information or items for discussion or decision. In most cases staff, or the council secretariat, is loaned or seconded from participating ministries or government agencies (as in Japan, as noted in Schwartz, 1992). In some cases these officials may work closely with staff from business associations in technical working groups.

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<sup>10</sup> In Colombia, Porter and his research team found that “best practice institutions [for competitiveness] tend to offer a narrow range of services to a clearly defined group of ‘customers’ (affiliates, users)” (Porter et al., 2002: 15).

<sup>11</sup> The staff, or secretariat, of deliberative councils, usually drawn from participating ministries, was crucial in Japan (Schwartz, 1992: 229), Oaxacan coffee (Snyder, 2001: 89–92), and PPD generally (Herzberg and Wright, 2005: 17).

On the second main issue in institutional design, impeding unproductive rent seeking (as well as other forms of collusion and outright corruption), a crucial concern is building *monitoring* into the council itself. Of course, most industrial policies by definition create and distribute rents in order to shift behaviors in business, and even “squeaky clean” firms will seek them to enhance competitiveness. The focus here is on wasteful or unproductive rent seeking (I return later to the question of effective use of “productive” rents). Some institutional designs include provisions for regular monitoring and evaluation by outside bodies. Hausmann, Rodrik and Sabel (2009), for example, propose outside evaluating teams, including academics and MNC executives. However, the record of supposedly independent monitoring bodies in Latin America is spotty at best, as they can be easy to manipulate, politicize, or ignore. Thus, there is greater reason to put hope in the potential for self-monitoring where some set of participants in the council have strong interests in preventing rent seeking.<sup>12</sup>

The complication for institutional design is that this concern with rent seeking would favor a number of features that conflict with those that promote dialogue.<sup>13</sup> So, for instance, expanding the numbers of council members would impede side deals and collusion. More diverse participants from multiple sectors, including representatives from labor unions and other groups in civil society, would encourage opposition within councils to special favors for one sector or firm (Herzberg and Wright, 2005: 7–8). More open proceedings with the press in attendance would additionally provide ongoing monitoring. However, most of these monitoring mechanisms would, as noted above, undermine effective dialogue and real information exchange and thereby reduce the potential benefits. So, the gains of expanding transparency or numbers and diversity have to be weighed against the costs to meaningful dialogue.

On the levels of representation, technical personnel from government, especially career professionals (or Weberian bureaucrats) should in principle have more capacity for resisting rent

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<sup>12</sup> In the Turkish textile sector, for example, the government delegated to the sector association decisions on how to allocate export quotas. Within the association, a committee made the allocations in a open setting (among association members), that made it difficult to engage in rent seeking by firms seeking quotas (Biddle and Milor, 1997).

<sup>13</sup> Campos and Root have a more sanguine view of the inherent ability of the council format to impede rent seeking: “In sum, when rules, procedures, and regulations are discussed openly among the relevant parties and input from all parties is encouraged, a more transparent and impartial policy environment emerges. This constricts the possible avenues for seeking or granting special favors and raises the cost and reduces the potential gains from rent seeking” (1996: 102–3).

seeking than politicians or political appointees.<sup>14</sup> Politicians have short time horizons and need large campaign contributions and other patronage resources, and so would be more receptive to various political exchanges with business participants.<sup>15</sup> Political appointees are less directly dependent on resources from business, but their current and next appointments can be heavily influenced by business support or opposition. Or, as with many regulatory agencies, they may be considering taking jobs in the private sector after leaving government. Lastly, technical staff may be able to impede rent seeking, though more through proposing technical alternatives or other everyday forms of bureaucratic resistance (delays, red tape, non-compliance, etc.) than direct opposition.<sup>16</sup>

Beyond the question of unproductive rent seeking is the issue of whether legitimate or productive rents are going to their intended use and with maximum effect. Patent laws are a significant form of industrial policy but without any expectations of how patent holders will use their rents. Research prizes of the sort used recently by the U.S. Department of Defense (robotic cars, for example) similarly make no stipulations on the use of the winnings. In contrast, most other industrial policies create rents in order to encourage changes in near-term behavior. Amsden (1989) and others highlight the importance of reciprocity in industrial policy: the exchange of public rents for private performance. Such reciprocity was explicit in Korea but often lacking in Latin America (Amsden, 2001; Grassi, 2008).

Monitoring is made difficult by both the cost of information and the asymmetry. Information is less costly in policies designed to promote easily measurable outcomes like increased production or exports, but it becomes far more costly in policies designed to promote upgrading, innovation, or R&D. Moreover, business has, along with information, incentives to use information to its own advantage. In principle, councils can vastly reduce the cost and asymmetry problems, but the reductions are less likely to result from clever institutional design

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<sup>14</sup> Evans (1995) placed a great deal of weight on the ability of Weberian bureaucracies to impede rent seeking. Chibber (2005) and Amsden (1989) placed greater weight on the ability, and political will, of governments to discipline business.

<sup>15</sup> Under some circumstances, politicians may have a greater interest in policy success than rents. In Mendoza, Argentina, for example, Governor Borón wanted to showcase his success in new policy initiatives, as with the revival of the wine industry, to burnish his credentials as a presidential contender (McDermott, 2007).

<sup>16</sup> In Oaxaca, the director and technical staff of the coffee council performed “a disciplinary role that defused the potential for a pork-barrel pattern of project allocation.” In one instance, the staff took proposals for *microbodegas* and encouraged groups with competing requests to cooperate in building shared facilities (Snyder, 2001: 89–90).



than from the reiterated exchanges necessary to build credibility and trust. Ideally, trust lowers barriers to information sharing, which in turn provides the basis for evaluating what worked and what did not, and to engaging in collective problem solving to devise better ways to design industrial policies (i.e., learning).

*Business representation.* Beyond the institutional configuration of councils, the variable organizational capacity of business associations affects the effectiveness of business representation on councils and thereby the quality of dialogue and the opportunities for rent seeking. Three traits are crucial for organizational capacity in associations: high member density, adequate professional staff, and effective mechanisms for internal reconciliation of divergent preferences (Doner and Schneider, 2000; Schneider, 2004). High member density (e.g., member output as a percent of total output of the sector or relevant category) is crucial to give the associations an authoritative voice to speak for the represented group in discussions with the government. The staff is important to the information functions noted above. Professional staff in associations, usually long-term employees, can help provide high-quality information, long-term relations, and counterpart technical staff to work between meetings with government officials. However, beyond the largest peak associations in Latin America, few associations have much staff to speak of, certainly compared to developed countries. However—and here time horizons are critical—if associations are invited to participate in a council over the longer run, this invitation itself can convince association leaders that they will need to invest in technical staff. On the dimension of managing divergent member preferences, internal interest aggregation is indispensable if business is to speak with one voice in communicating with government. Moreover, both technical staff and effective interest intermediation may serve to impede rent seeking. If association members meet regularly to reconcile differences, then they are more likely to be attentive, and resistant, to rent seeking by other members.

*Motivating logics.* To overcome the costs of participation, councils must be perceived by business interlocutors to make authoritative allocations, to decide on the distribution or

redistribution of resources.<sup>17</sup> So, for example, social pacts set prices and wages, trade consultations decide on negotiating positions, and industrial policy councils can decide on the distribution of subsidies. Much of the allocation can be public (one of the ways governments entice business to participate), but often council decisions can allocate investment and adjustment among private firms. Councils convened under crisis conditions (such as falling export prices, war, inflation) increase the expectation that the council will make allocative decisions (as well as increase the likelihood that participants will accept sacrifices; see Herzberg and Wright, 2005: 12). The presence, in non crisis contexts, of presidents and ministers at council meetings also increases the expectations, absent statutory regulation, that council deliberations will affect government allocations. However, the best long-term mechanism for ensuring some benefit from participating in the council is to set by statute some allocation as in subsidized loans (as in boards for development banks), export quotas, minimum wages, training programs, or infrastructure investment. Although shorter term, councils convened to accompany trade negotiations offer clear expectations that the council deliberations will affect distribution.

Although not parts of the formal institutional design, some less tangible, informal factors can play an important part in how councils function. Some observers emphasize the importance of leadership or champions, either dynamic, committed, politically well-connected officials from government or informal leaders from the private sector, such as Jorge Johansen Gerda in Brazil, or Juan Sánchez Navarro historically in Mexico (Schneider, 2004). Such leaders can, at least in the short run, encourage participation and investment by skeptics, and thereby substitute for more tangible incentives. Moreover, pre-existing, parallel, or overlapping informal networks can be crucial to dynamics within the formal council. That is, council deliberations can quickly establish trust, credibility and deep information sharing if members already have prior positive exchanges, expect ongoing exchanges in the future, and know that opportunism in the council could have costs outside it in other business and personal realms. Such parallel networks seem to have been key in

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<sup>17</sup> The focus here is on motivations and incentives for business, with the assumption that governments proposing new policies and councils have sincere desires to promote development. Business may of course doubt this sincerity, which is why the commitment of resources is an important signal. The motivations for governments to engage in deliberation are also important and variable but beyond the scope of this study. For an extended analysis of government motivations, especially as they relate to perceived crisis, see Chapter 2 of Schneider (2004).

upgrading Argentine wine production (see below) and may generally be more salient in local and regional councils.

In sum, the institutional engineering of councils to maximize the benefits of dialogue while minimizing the risks of rent seeking is delicate, complex, and risky. Put differently, there are many ways for councils to degenerate, collapse, or vegetate. Some of the causes of dysfunction seem readily apparent, as in forums that are too large, too diverse, too polarized and politicized, or councils that meet infrequently, suffer high turnover among members, have few real functions or authority, or are convened mostly by lower-level staffers with little to talk about because they have no authority over allocation. Overall, it is not surprising that so few councils live up to expectations. The next section reviews a range of councils that have, for the most part, helped improve policymaking.

### **3. Types of Councils: Scope and Function**

It is useful to distinguish different types of councils by their function and scope because these factors determine the kinds of business interlocutors involved. Moreover, the challenges of policymaking differ, as do the pitfalls for business-government interaction. The empirical cases summarized here were selected because they are more prominent, more revealing of the dynamics analysis in the previous section, and better researched. Since researchers tend to focus on success stories, the sample should not be considered representative of all councils.

*Economy-wide, broad function.* Governments sometimes establish public private councils with broad mandates to discuss issues affecting the economy as a whole such as systemic competitiveness, overall development planning, infrastructural bottlenecks, or macro stabilization. For the most part, these are councils with broad, open-ended mandates and little executive power or direct control over resources. The macro stabilization social pact is a separate case because it operates under crisis conditions with immediate distributional consequences. Councils dealing with the other issues are not under such pressures, nor do they often have significant resources to allocate.

There is also a large literature on more macro level, economy-wide, social pacts, but these experiences are more concerned with stabilization than productivity and largely fall outside the

scope of this project.<sup>18</sup> However, some lessons from these experiences are worth examining for their potential relevance to councils in other areas. For example, social pacts are often initiated in moments of crisis and with the goal of negotiating significant distribution, so the motivation for participation by business and government is high. In addition, pacts often fail because economy-wide representation through business associations is lacking or difficult to organize in the short term (Schneider, 2004).

In the 1990s, the Chilean government created one of the early councils on productivity, the *Foro de Desarrollo Productivo*. The Foro held large annual conferences and was coordinated between conferences by a tripartite board with representatives of major business and labor associations, as well as individual labor and business people appointed by the government, with a technical secretariat in the Ministry of the Economy. The results of this Foro were disappointing, even according to its Executive Secretary, Oscar Muñoz. One of the main problems with the Foro was the continuing antagonism between representatives of business and labor. Relations were so bad that the 1995 Foro had to be canceled when the peak labor organization Central Unitaria de Trabajadores (CUT) refused to participate. Other problems included a reluctance to enter binding agreements (in part because the representatives of labor organizations were unsure whether their associations would endorse the agreements), a lack of *peso político* (political weight) and an absence of resonance in the press and public opinion (Muñoz, 2000: 72).

In Brazil, in 2002 the incoming Lula government created the Council for Economic and Social Development, known by its Portuguese acronym CDES (Doctor, 2007; Vizeu and Bin, 2008). The government structured CDES to include representation by business and labor (as well as government and civil society) but had very different approaches to the invitations to each side. Representatives from the labor side were union leaders, yet nearly two-thirds of the business members were not leaders of business associations.<sup>19</sup> The government preferred instead to invite

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<sup>18</sup> See, on Chile, Weyland (1997), on Mexico: Kaufman, Bazdresch and Heredia (1994); Schneider (2004); and Ortega (2002); and on Uruguay and Chile Fraile and Baccaro (2008). In their study of tripartite councils in eight developing countries, Fraile and Baccaro found that effective consultation and negotiation in the process of market reform helped to reconcile efficiency and equity (largely through compensatory measures to reduce social dislocation) and in part as a result made the reforms more politically sustainable. Kuznetsov and Dahlman (2008: 12) invoke the success of the stabilization pacts when they call for a “Knowledge Economy Pact.”

<sup>19</sup> Moreover, the government bypassed the national industry confederation whose president was not invited and included the heads of major state-level industry associations as well as sectoral associations in areas like banking, capital goods, and auto production.

individual business men. Over the course of Lula's two terms, CDES had some influence on broad policy debates but less than its proponents hoped or critics feared.

*Economy-wide, narrow function.* Business-government councils may be most common and prominent in economy wide (horizontal) policies that have a fairly narrow mandate as in trade negotiations, export promotion, labor market regulation (minimum wage), vocational training, innovation and technology, and R&D. Although most of these areas are not considered standard industrial policies, many of them do bear on the competitiveness of various sectors and have been used by governments to provide special and differentiated incentives, as for example in the many special clauses in trade agreements.<sup>20</sup>

Trade negotiations are where business-government interactions through a variety of formal mechanisms have been ubiquitous (with the conspicuous exception of Mercosur), and perhaps most visible, certainly in academic research. The practice of granting business substantial access and consultation probably started in the 1980s when, on the occasion of the negotiations over a free trade agreement between Canada and the United States, the U.S. government invited business to accompany the negotiations closely. When, in turn, negotiations over NAFTA began, Mexico mobilized business to match, at a minimum, business on the U.S. and Canadian delegations. From the Mexican side, business mobilized into an ad hoc organization, Coece (Thacker, 2000; Shadlen, 2004; Kleinberg, 1999; Schneider, 2004). Through Coece, business, especially big business, commissioned background studies, met with government negotiators prior to the start of negotiations, coordinated with up and downstream businesses along productive chains, accompanied the actual negotiations in the "room next door" (*cuarto del lado*, sometimes literally, and sometimes virtually via mobile phone), and then spearheaded lobbying in Washington for ratification of the agreement. By all accounts, the consultation was useful for giving government negotiators better information on the situation of various sectors, as well as the practical side of U.S.-Mexican trade, and for giving business a better sense of where the agreement was headed, and as a consequence helped turn skeptical businessmen into champions.

Although not as closely studied, governments made similar arrangements with business in Colombia and Venezuela (Giacalone, 1999), and in Chile (Bull, 2008; Schneider, 2004). Most

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<sup>20</sup> For an innovative re-interpretation of "wage setting institutions as industrial policy," see Davis and Henrekson (2005) who argue that centralized collective bargaining in Sweden shifted the structure of industry relative to the United States in the 1950s and 1960s.

observers and scholarly evaluations had positive views of the interactions. Most of these arrangements were ad hoc, involving only the several years it normally took to negotiate a treaty. Chile, in contrast, became a world leader in negotiating trade agreements, so throughout the 1990s and into the 2000s, governments were negotiating agreements along with private sector representatives. Constant contact made for very close relations between association staffers and government negotiators (Bull, 2008).

In contrast, negotiations over Mercosur largely excluded business in Argentina and Brazil (Schneider, 2001). The result was post hoc lobbying by large businesses and comparatively little business engagement in promoting the trading bloc. In Brazil, business-government relations changed in the 2000s when the Bush administration proposed negotiations on a region-wide free trade agreement. In part because, other governments were expected to mobilize their business communities, as in Nafta, Itamaraty turned to CNI (*Confederação Nacional da Indústria*) to organize input into the negotiations (Oliveira, 2003). However, the negotiations never prospered, so the revamped relations did not progress.

Although it has yet to move into full implementation, another potentially revealing council is CNIC (Consejo Nacional de Innovación para la Competitividad) in Chile (Agosin, Larraín, and Grau, 2010). Created in 2006, this council was charged with devising a plan and institutional structure for spending up to \$200 million per year in mining royalties on innovation. The council included five ministers, at least four representatives from business, one representative from labor, and another seven representatives, academics, and experts from outside government. The council had not, as of 2009, been legislated into law, but it had some successes in getting the process moving, including reaching agreement on priority sectors and activities in which to promote innovation and getting some of the funding on its way to innovation projects. Business representatives from associations like the Chilean Federation of Industry (Sofofa) and the Confederación de la Producción y el Comercio (CPC) took an encompassing view of innovation priorities, and played a crucial role in convincing the scientists and academics to concentrate on funding applied projects (interview with José Miguel Benavente, secretary and then member of CNIC, 10 December 2008).

*Vocational training.* Despite its crucial importance to upgrading, business-government cooperation in training and education has received scant attention (see Ducci, 2001). Business-government boards and councils or tripartite councils are ubiquitous in government-

sponsored training programs in Latin America, especially the systems in many countries that are patterned on Brazil's Senai (Serviço Nacional de Aprendizagem Industrial).<sup>21</sup> As skill shortages become a greater bottleneck to upgrading and overall development, they are more likely to figure prominently in discussions on competitiveness and as corollary policies to other industrial policies.

*Industry.* Probably the most cited work on the importance of business-government relations in industrial policy is Peter Evans (1995) comparative study of Brazil, India, and Korea. Evans stressed the determining role of close business-government collaboration, or “embedded autonomy” in the success of industrial policy, especially evident in Korea. In Brazil, informatics policy suffered both from only partial Weberian bureaucracy and autonomy, as well as insufficient embeddedness of policymakers in the information technology business community.<sup>22</sup>

Although short-lived, the *câmaras setoriais* established by the Brazilian government in the early 1990s offer some revealing lessons about business-government deliberation. In the context of macro instability, the unraveling of an anti-inflation program, and increasing competition from imports, many sectors were having difficulty adjusting. The *câmaras* were designed to be tripartite (government, business, and labor) and negotiate short-term agreements on wages and prices, and in some cases taxes and other sectoral priorities. The *câmara* with the largest impact was in the auto industry, where representatives from labor unions, government ministries, and associations of auto workers, auto parts producers and auto dealers met to negotiate agreements on prices, wages, employment and taxes (Arbix, 1995; Toledo, 1994). Although criticized as a simple tax subsidy to middle-class consumers, most other analyses credit the *câmaras* with reducing prices, increasing sales, stabilizing employment, improving labor relations, and fostering a longer-term dialogue on productivity. One of the main motivations for all participants was the specter of dramatic decline in the industry.

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<sup>21</sup> Colombia's Servicio Nacional de Aprendizaje (SENA) is a good example. Sena's Consejo Directivo Nacional has four representatives from government (three ministries and Colciencias), four representatives from business (the associations Andi, Fenalco, SAC, and Acopi), three representatives from labor, and one additional director (an archbishop). See: [www.sena.edu.co/Portal/Direcci%C3%B3n+General/Consejo+Directivo+Nacional/](http://www.sena.edu.co/Portal/Direcci%C3%B3n+General/Consejo+Directivo+Nacional/).

Business-government councils for training are common elsewhere in countries like Germany and even countries without a strong tradition of public-private councils or industrial policy like the United States.

<sup>22</sup> Business-government relations were also important in IT in Mexico (Gallagher and Zarsky 2007), and Costa Rica (Paus, 2005; World Bank, 2006).

*Fundación Chile.* FC is a private foundation set up in 1976 by the government and ITT (International Telephone and Telegraph). The foundation's public-private board includes representatives from government, ITT, BHP Billiton (after 2005), Sociedad Nacional de Agricultura, and several groups. Representatives from private business also participate in many of the foundation's working groups. Its most famous project was the very successful development of salmon farming (Agosin, 1999). The core focus of the foundation is on transferring technologies in sectors related to natural resources. The foundation operates like a venture capital fund, either creating firms of its own (to be sold off later) or, increasingly since the 1990s, entering joint ventures (Maggi, 2006). Although subject to some controversy, most assessments of Fundación Chile are favorable. For example, Kuznetsov and Dahlman (2008: 116) call it "one of the most successful attempts in the Latin America region to establish national 'antennae' for new technologies" (see also Agosin, Larraín and Grau, 2010).

Industrial policy and business-government councils were also widespread at the subnational level, in both industry and agriculture.<sup>23</sup> Although the range of policy options is more restricted at the local level, as are the resources available for allocation, other factors may facilitate effective public-private dialogue. The cost of information is lower, and the range of participants is less numerous and less diverse which facilitates decision-making and consensus-building. In most cases of provincial elites, personal networks likely exist before the convening of a formal council, so participants may enter discussions with a presumption of trust and credibility. Moreover, parallel networks and ongoing elite interactions make it easier to monitor rent seeking. Perceived threats that encourage participation often derive from competition from other provinces, which makes it easier to analyze and respond to them. Another source of competition, especially in the federal countries of Latin America, is from governors with presidential ambitions who seek therefore to capture national attention with their local policy innovations, as comes out clearly in the story of upgrading wine in Argentina.

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<sup>23</sup> In public utilities in sectors like energy, water, and telecommunications, most governments have set up regulatory agencies to oversee firms that they privatized in the 1990s. In some cases these agencies are staffed exclusively by government officials and charged primarily with minimal functions of keeping prices low and enhancing competition. In other cases they may include private sector representation and have broader mandates to promote investment and upgrading, and as such resemble councils established to participate in other kinds of industrial policy.



One sector where local councils have been especially important is in the promotion of software clusters. Provincial governments in Mexico (Mexico City, Jalisco, Aguascalientes, and Nuevo Leon) and in Argentina (Rosario and Córdoba) created councils that included representatives from government promotion agencies, software businesses (both local and multinational) and their associations, and local universities that were generally perceived as being effective in promoting the expansion and diversification of local clusters (Durán Ruiz 2006; López and Ramos, 2008). Software development seems to thrive on ongoing, face-to-face interactions that business-government (and university) councils are well suited to promoting.

In a broader vein, business and government elites in the state of Chihuahua have a long history of working together to promote local development. The private sector created Desec (Desarrollo Económico del Estado de Chihuahua) in the 1960s, and By the 1980s the state government had established agencies to promote development that worked closely with Desec. This collaboration evolved in late 1980s and early 1990s into Chihuahua Siglo XXI (CS21). CS21 functioned well through 1998, especially in promoting clusters. “The project has had a major impact on competitiveness and long-range thinking, not only in Chihuahua as a whole but also at [the] company level. Although it is hard to isolate the impact of CS21 on the state economy, a comparison with its historical trends and those of other Mexican border states shows a better performance in terms of job creation, investment attraction and overall competitive advantages.” Over “150 initiatives were developed, and over 60% were successfully completed” (Ramos 2006: 2). CS21 also led to spin-off associations and councils focused on local regions, sectors, or specific issues. The new governor in 1998 stopped all public sector participation, and private sector continued on its own until 2004 when a new governor revived public-private dialogue and created Codech (Consejo para el Desarrollo Económico del Estado de Chihuahua) which has “about 30 high-ranking representatives of the governmental, business, labor, and educational sectors” (Ramos 2006: 3).

Many subnational councils are in agriculture where the problem with “industrial” policy is less the common difficulty of picking winners, because in many cases government officials do in fact know what types of changes in production (fertilizer, seed variety, crop mixes, etc.) would improve productivity. The problem lies more in getting the information and incentives to thousands or millions of completely dispersed farmers. Business-government councils can help

solve the credibility gap (that farmers suspect government officials do not know what they are talking about), and business associations can be crucial in getting the word out.

In Mexico, in the wake of the dismantling of the Instituto Mexicano del Café (IMECAFE) and national regulation of coffee, state governments filled the void with various new institutions for sectoral governance (Snyder, 2001). In Oaxaca, producer groups and state officials created in 1990 a new business-government council, the *Consejo Estatal del Café del Estado de Oaxaca*, that helped secure “crucial collective goods for the coffee sector, such as a large share of the government’s budget as well as development projects that responded to the producers’ needs and yielded significant advances in productivity and quality” (Snyder, 2001: 88). The statutes established parity on the board between representatives of government and of producer organizations (apparently six of each initially), and provided the *consejo* with a director and technical staff. Besides promoting consensus and a united lobbying front for securing resources from the federal and state-level governments, the council also facilitated optimal implementation of decentralized storage and processing facilities that benefited the state’s tens of thousands of small producers.

One of the crucial elements of the story of the creation of the Oaxaca coffee council and its successful functioning was the mobilization of small producers in a new, non-corporatist association, Cepco (Coordinadora Estatal de Productores de Café de Oaxaca). Cepco successfully pressured the state government to create the council and to expand representation by producer groups. Cepco was also instrumental in helping to implement the programs adopted by the coffee council through the collaboration of its staff with staff from the government, through its knowledge of local conditions (highly variable through the mountainous terrain of Oaxaca), and through its ability to diffuse information about policies, programs, and new techniques to its dispersed membership.

One of the most visible and deeply researched cases where various forms of public/private collaboration improved economic performance was in winemaking in the Argentine province of Mendoza (McDermott, 2007). Over the course of the late 1990s and early 2000s, Mendoza wine makers rapidly increased exports by increasing the quantity and especially the quality of production. The provincial government devised a number of novel forums for business and government to interact which were crucial in devising ways to reform the marketing, technology, upgrading practices, and skills in the sector. What helps highlight the net contribution of these

business-government councils is the contrast with another, much less successful wine-producing province, San Juan, where governments also tried to promote wine production using traditional subsidy programs without extensive forms of business-government interaction. Several factors were important in Mendoza's success in business-government collaboration. On the government side, the governor had presidential aspirations and therefore wanted to use provincial policy innovation to showcase his leadership and vision. Wine producers, for their part, were facing an immediate crisis and could see from Chile's earlier success the losses from not exporting more. Lastly, over time business and government developed multiple overlapping and functionally differentiated forums and councils. The implication of this evolution is that institutional design is not a one-shot event, but rather part of a longer-term process of learning.

Overall, these cases first show that governments continue to look for institutional mechanisms for bringing business and government together, whether in long-established sectors like wine and coffee to emerging areas like software and salmon farming. In addition, the wide variation of institutional formats shows that government instigators are not working with a common template but rather adjusting institutional arrangements to the task at hand and the relevant participants. Many of these councils scored significant successes in improving policymaking by building support for new initiatives (Nafta and Coece in Mexico), enhancing information flows and learning (CNIC in Chile and wine in Mendoza), targeting government spending to better effect (coffee in Oaxaca), and facilitating cooperation (business and labor in Brazilian autos or dispersed software firms in Argentina and Mexico).

The examples in this section also provide some preliminary support for the hypotheses in Section 2. In terms of internal dynamics, councils seemed to function better when they had small numbers of members, frequent interaction among them, clearly and narrowly defined goals, competent technical staff, and less diverse interests represented at the table. Fairly immanent threats help participants focus the deliberations (especially in Brazilian autos), and the promise of significant benefits kept business engaged (trade negotiations or wine upgrading). The relative failure of the Productivity Forum in Chile in the 1990s is revealing in the absence of most of these facilitating factors. The Forum was only advisory, without resources of its own, and while it had a broad mandate to discuss productivity issues, this discussion took place during a time of sustained high growth. Moreover, the heterogeneous and often contentious interests of business and labor politicized the discussion within the forum. The forum did seem to have good support

from technical staff, but this was not enough to overcome the other design problems. In many cases, well-organized business associations added an encompassing perspective to the deliberations (as in CNIC), yet councils also seemed to work well with a mix of representatives from business associations along with individually appointed business people. Lastly, explicit or implicit political backing from high authorities seemed important in many cases, especially to convince participants that the councils would have authority and access to resources. Most councils, however, functioned well without high-level representation at council meetings by presidents or ministers (or their subnational equivalents).

#### **4. Conclusion**

In closing this discussion of contemporary forums, it is important to remember that business-government councils in Latin America have a long pedigree. From the beginnings of industrial policy in the 1930s and 1940s, governments in Latin America created various forums to give business representation in formulating, implementing, and or monitoring policies. In Brazil in the 1930s, Vargas put representatives of the new corporatist industrial associations on various *conselhos* charged with setting tariff protections. In Chile, the government created a development bank, Corfo, and put representatives of Sofofa on the bank's board. In Colombia, the newly powerful federation of coffee growers, Fedecafe, gained seats on a variety of boards, including the central bank, over the 1930s and 1940s.

Business-government councils show no signs of disappearing. Although patterns of business representation vary across countries, over time, and across policy areas, governments continue to create councils and appoint businesspeople to them. Some of the most recent cases from the 2000s include the competitiveness councils in Colombia and Chile, CDES in Brazil, and ongoing councils for trade negotiations. And while experimentation continues at the national level, an apparently new trend is the proliferation of councils at the subnational level, both provincial and municipal. Given this long tradition, and ongoing experimentation, it is surprising that there is so little systematic research or evidence of institutionalized learning, apart from the experiences of particular business people or officials, on what sorts of councils work best and for what purposes.

There is consequently wide scope for future research. One extension in analyzing institutional design would be to look beyond individual councils to consider as well the

interactions of particular councils with other agencies, forums, and informal networks. It may be that the key to business-government collaboration is not finding a single optimal institution or council, but rather the optimum matrix of interconnected councils, agencies, associations, and networks. This seems to be one of the main implications of the success of wine exporters in Mendoza. A network of councils allows a division of labor, gives more specific and concrete tasks to particular councils, permits cross-fertilization and sharing of experiences of successful interaction, and speeds the process of building wider-range trust.

Another issue for future consideration is the potential role of business-government councils in new forms and instruments for promoting development including venture capital funds and research prizes. The U.S. Department of Defense, long the primary agency for industrial policy in the United States, has pioneered both instruments, with a small venture capital firm in Silicon Valley and annual prizes for innovations such as robotic cars. Both mechanisms, of course, try to get beyond the problems of “picking winners” by providing resources for multiple alternatives. The prize instruments additionally attempt to draw on so-called “crowd sourcing.” For the Department of Defense, it is somewhat easier to decide alone on the prize competition or venture capital investment, because it has a clearer sense of what technologies might have military potential. Such decisions may prove more difficult, however, in the context of promoting overall development, which is where public-private consultation could improve decision-making. In Latin America, the main experience so far in terms of venture capitalism is Fundación Chile (with a public-private board) and the government has plans to establish more venture capital entities modeled on the foundation. Similar public-private partnerships in expanding venture capital were crucial in the recent economic success of Taiwan and Ireland (Sabel, 2009). The idea seems to be catching on elsewhere; Kuznetsov and Dahlman (2008: 115), for example, recommend a Foundation Mexico, modeled on Fundación Chile, to promote a knowledge economy.

## **Appendix A. Interviews**

José Miguel Benavente, consejero, CNIC, Santiago, 10 December 2008.

Jaime Campos, executive director, AEA (Asociación Empresarial Argentina), Buenos Aires, 12 December 2008

Benjamin Herzberg, World Bank, Washington, DC, 8 October 2008

Andrés López, Cenit, Buenos Aires, 11 December 2008

Andrés Pesce, Fundación Chile, Santiago, 10 December 2008

## **Appendix B. Cases of Business-Government Councils in Industrial Policy**

Note: This is a partial list of selected experiences with business intended to give a sense of the broad range of experiments with business-government councils and to provide some additional background on cases discussed in the text.

### ***Argentina***

*Fundación Cideter* (Centro de Investigación y Desarrollo Tecnológico Regional). En la región conformada por el centro-sur de la provincia de Santa Fe, el sur de Córdoba y el norte de Buenos Aires, se concentran más de 700 pequeñas y medianas empresas fabricantes de maquinaria agropecuaria y sus partes. En 1998, un grupo de estas firmas decidió crear la Cideter.

*Coviar* (Corporación Vitivinícola Argentina). Board of Directors has 17 members: 12 from private sector associations, and five from provincial governments, and federal research agencies. National council based on Mendoza experience (McDermott, 2007: 104).

*Foros Nacionales de Competitividad Industrial de las Cadenas Productivas* (Foros) (Gutman, López and Ubfal, 2006). Established in 2003, Foros are organized on the basis of sector or productive chain. Some of the most prominent foros have been in software and auto parts, as well as the Foro de la Cadena Agroindustrial Argentina. The software Foro helped promote and draft a special “promotion regime.”

*Mesa Sectorial* en la industria SSI (software y servicios de informática) (López and Ramos, 2008). In 2007 the government of Córdoba created the Mesa with representation from universities, firms,

MNCs, Ministerio de Trabajo, Ministerio de Educación, Secretaria de Industria, Cluster Córdoba Technology (CCT), and CIECA (business association). “La Mesa Sectorial es ante todo un espacio de encuentro y discusión estratégica del sector del cual participan todos los actores relevantes” (López and Ramos, 2008: 97). However, most of the rapid development of SSI and the entry of major MNC players (Intel, Motorola, etc.) was exclusively private, with some public support. In particular, 10 private national firms created CCT in 2001, and CCT in turn was very active in promoting the Córdoba cluster.

*Fundación Exportar.* The Fundación was designed to promote collaboration between the Ministry of Foreign Affairs and a number of private associations. The Fundación provides technical and marketing support for companies seeking to expand in the external market and coordinates activities between exporters and Argentinean embassies abroad.

### ***Barbados***

Wage and Price Protocol (1993) (Henry and Miller, 2008). Tripartite bargain to decrease real wages by 9 percent was designed to deal with overvaluation without devaluing currency.

### ***Bolivia***

*National Dialogue* in 1997 “was a government-led project intended to involve society in formulating a national development plan. It made some progress but was widely regarded as a disappointment because expectations had been raised among a wide range of stakeholders but relatively few concrete results were achieved. A similar response greeted the next National Dialogue in 2000, organized by the government at the behest of the World Bank and the IMF to assist in framing the national poverty reduction strategy” (Herzberg and Wright, 2005, 45).

### ***Brazil***

*Sebrae* (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas). Established 1972. From website: “Os associados instituidores que integram o Conselho Deliberativo Nacional são a Associação Brasileira dos SEBRAE Estaduais (Abase); a Associação Brasileira das Instituições Financeiras de Desenvolvimento (ABDE); a Associação Nacional de Pesquisa, Desenvolvimento e Engenharia das Empresas Inovadoras (Anpei); a Associação Nacional das Entidades Promotoras

de Empreendimentos de Tecnologias Avançadas (Anprotec); o Banco do Brasil; o Banco Nacional de Desenvolvimento Econômico e Social (BNDES); a Caixa Econômica Federal; a Confederação da Agricultura e Pecuária do Brasil (CNA); a Confederação Nacional do Comércio (CNC); a Confederação Nacional da Indústria (CNI); a Confederação das Associações Comerciais e Empresariais do Brasil (CACB); a Financiadora de Estudos e Projetos (FINEP) e o Ministério do Desenvolvimento, Indústria e Comércio Exterior (MDIC).”

*CDES* (Conselho de Desenvolvimento Econômico e Social, 2002- ) (Vizeu and Bin, 2008; Doctor 2007).

*Câmaras setoriais.* The government created câmaras in several industries in the early 1990s that included representatives from business, government, and labor to help manage adjustment to simultaneous macro stabilization policies and trade opening. The câmara in the auto sector had the biggest impact and was credited with reducing prices, increasing output, and maintaining employment (Toledo, 1994; Arbix, 1995; Guimarães, 1994).

*Câmara Regional do Grande ABC.* Established 1997. “The Chamber’s authoritative body, the Deliberative Council, for instance, includes more than sixty members: the seven mayors from the region who jointly make up the Intermunicipal Consortium; the seven presidents of the city chambers of the region; five business representatives; five labor union representatives; state and federal members of Congress from the ABC region; five representatives from the Citizenship Forum, reflecting a host of civil society organizations; relevant state secretaries (e.g., Science and Technology, Labor); and the Governor of São Paulo ... as Honorary President. The Deliberative Council meets bi-annually to debate and ratify Chamber initiatives. .... Beyond the Deliberative Council, the Chamber also has a 25-member Executive Coordinating body (designated by the Deliberative Council) that meets more regularly and oversees a number of working groups. The working groups, which maintain open memberships, are more directly responsible for the day-to-day development of RC initiatives. .... There are approximately twenty different working groups which can be divided into at least four main categories: Economic Development and Employment (including, e.g., working groups in the automobile, petrochemical, and furniture sectors); Urban Planning and the Environment; Social Development; and Administration and Finance” (Boniface 2002, 9–10).



*Aranjos produtivos locais* (APLs). According to Lastres and Cassiolato (2003: 21): “arranjos produtivos locais são aglomerações territoriais de agentes econômicos, políticos e sociais – com foco em um conjunto específico de atividades econômicas – que apresentam vínculos mesmo que incipientes. Geralmente envolvem a participação e a interação de empresas – que podem ser desde produtoras de bens e serviços finais até fornecedoras de insumos e equipamentos, prestadoras de consultoria e serviços, comercializadoras, clientes, entre outros – e suas variadas formas de representação e associação. Incluem também diversas outras instituições públicas e privadas voltadas para: formação e capacitação de recursos humanos, como escolas técnicas e universidades; pesquisa, desenvolvimento e engenharia; política, promoção e financiamento.” There were relative successes in sport shoes in Nova Serrana and furniture in Votuporanga, but relative failure in men’s shoes in Franca (SP).

*APL de Eletrônica de Santa Rita do Sapucaí* (Dinheiro 19 November 2008, p. 44-6); Sindvel (Sindicato das Indústrias de Aparelhos Elétricos, Eletrônicos e Similares do Vale da Eletrônica). From website, “Filiado à Federação da Indústrias do Estado de Minas Gerais - FIEMG, o SINDVEL viabiliza o desenvolvimento tecnológico e empresarial com o apoio do IEL, o desenvolvimento profissional através de convênios com o SENAI e o desenvolvimento social mediante parcerias com o SESI, além de canalizar para seus associados outras facilidades oferecidas pelo Sistema FIEMG e SEBRAE.”

### *Chile*<sup>24</sup>

*CORFO* (Corporación de Fomento de la Producción). Corfor’s *consejo* is made up of five ministers, the vice president of Corfo, and two members appointed by President. Business representation apparently only comes only through subcommittees. Innova (see below) has subcommittees with business representatives.

*Chile Calidad*. The board had five members from government (including two from Corfo), and four each from CUT and CPC. [www.chilecalidad.cl](http://www.chilecalidad.cl)

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<sup>24</sup> For general bibliography, see Muñoz (2000).

*Fundación Chile* (Agosin, Larraín and Grau, et al. 2009) is a private foundation set up by the government, ITT (International Telephone and Telegraph), and (after 2005) BHP Billiton. Its board includes representatives from government, ITT, BHP Billiton, Sociedad Nacional de Agricultura, and several others. Six areas of strategic focus all have subcommittees with mostly private members.

*Foro de Desarrollo Productivo* (Muñoz, 2000). The main activity was an annual meeting from 1994 to 1999. In between meetings there were working groups coordinated by a tripartite council of 24 members: eight representatives from government ministries; four from the Confederación de la Producción y el Comercio (CPC) and four businesspeople designated by the President; four members from the Central Unitaria de Trabajadores (CUT) and four labor representatives designated by the President. The body's Executive Secretary was Economy Minister Oscar Muñoz. The Foro was formally charged with advising the president.

*CNIC* (Consejo Nacional de Innovación para la Competitividad) (Agosin, Larraín and Grau, 2010). Established in 2006, the CNIC consists of 17 voting members and three nonvoting members. Of the 17 members in 2008, six were from government (Corfo, Education, Hacienda, Obras Públicas, Agricultura, Economía), five from business (including Sofofa, salmon and IT), one is from labor, four are from academia and NGOs, and one is unknown or unspecified (though many have some background in Fundación Chile). [www.consejodeinnovacion.cl](http://www.consejodeinnovacion.cl).

*INIA* (Instituto Nacional de Investigaciones Agropecuarias) (Kurtz, 2001: 10). Established 1964. In early 1980s, INIA staff organized medium and large fruit farmers into cooperatives of around ten farmers each “who then hired a private agronomist to assist them [to] implement improved production and management techniques. About 700 medium to large producers were affected. The effort introduced few truly new technologies, but is widely credited with increasing the diffusion of existing technologies and improving their utilization” (Jarvis, 1994: 259).

*Innova*. Innova is run through Corfo, but has a separate board of 21 members: 7 each from the private sector, Corfo, and other ministries. Total funding for business innovation projects over 2000-06 was \$16.5 million (Agosin, Larraín, et al. 2009, 25–6).

## ***Colombia***

(from Meléndez and Perry, 2010)

*Comisión Nacional de Competitividad* (CNC) was established in 2006 with representatives from government, business, local government, labor, academics, and under direct coordination by the President's office. (Meléndez and Perry, 2010).

*CONPES* (*Consejo Nacional de Políticas Económicas y Sociales*).

*Colciencia*. Subsidies for R&D. Consejo Directivo has 6 members, all from government.

*Corpoica*. R&D in agricultura.

*Red Colombia Compite* had representatives from government, business, and civil society, but lacked capacity and did not coordinate well (Meléndez and Perry, 2010).

*Encuentros Nacionales de Competitividad*.

*CARCES* (regional, in each of the 32 *departamentos*).

*Bancoldex* (*Banco de Comercio Exterior, Bancóldex*). “El Banco inició operaciones el 1° de enero de 1992. Para tal fin, el Presidente de la República, ..., designó tres representantes suyos provenientes del sector privado, ..., para conformar, junto con el Ministro de Comercio Exterior y el Ministro de Hacienda, ..., la Junta Directiva del Banco” (<http://www.bancoldex.com/contenido>, accessed 30 October 2008). After 2003, Bancoldex expanded activities to become also a general *banco de desarrollo* (development bank). Current statutes seem to have two private representatives, one of whom is elected by officially registered export associations.

*Servicio Nacional de Aprendizaje* (*SENA*). Sena is a government agency ranked highly by SMEs but not larger businesses (Porter et al., 2002: 13). Services deteriorated after 1990 (Meléndez and Perry, 2010). Consejo Directivo Nacional in 2008 was comprised of: four representatives from government (three ministries and Colciencias), four representatives from business (Andi, Fenalco,

SAC, and Acopi), three representatives from labor, and 1 additional director (archbishop). ([www.sena.edu.co/Portal/Direcci%C3%B3n+General/Consejo+Directivo+Nacional/](http://www.sena.edu.co/Portal/Direcci%C3%B3n+General/Consejo+Directivo+Nacional/))

### ***Dominican Republic***<sup>25</sup>

Centro Dominicano de Promoción de Exportaciones (CEDOPEX), posteriormente transformado en Consejo de Exportación e Inversión (CEI-RD).

Consejo Presidencial de Fomento a las Exportaciones Nacionales. Established in 2005. The council is “un organismo mixto con el objetivo de “promover una cultura exportadora, implementar una política de comercio exterior que persiga la convergencia industrial y eliminar el sesgo anti exportador entre zonas francas y el resto de la industria (...), formar los sectores y/o clusters de exportación y reformar los puertos y aduanas del país”, entre otros objetivos. Este Consejo está formado por el Director del CEI-RD, los Secretarios de Hacienda y de Economía, Planificación y Desarrollo, además de tres miembros privados designados por la Asociación Dominicana de Exportadores (ADOEXPO).”

*Comité Interinstitucional para la Innovación y el Desarrollo Tecnológico (CIDET)*. Established in 1999.

*CNC (Consejo Nacional de Competitividad)*. CNC established in 2001. “El organismo fue concebido como un organismo del Gobierno dominicano con carácter de participación mixta, sector público y sector privado. Una de las principales tareas del CNC ha sido la elaboración del Plan Nacional de Competitividad Sistémica (PNCS), lanzado oficialmente en el 2006” (Cuevas and Lee, 2010).

### ***Guatemala***

*PRONACOM (Programa Nacional de Competitividad)* was created in 1998 with a focus on clusters, abandoned in 2000, then revived in 2004 with emphasis on systemic competitiveness. In 2001, the government approved a World Bank loan of \$20.3m to finance Pronacon for four years.

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<sup>25</sup> Most information from Cuevas, Lee and Pineda (2010).

*Concyt (Consejo Nacional de Ciencia y Tecnología).* Established in 1991. Concyt has nine members: three from government, three from business, and three from academia. La Secretaría Nacional de Ciencia y Tecnología (SENACYT) is the executive agency, and the Fondo Nacional de Ciencia y Tecnología (FONACYT) is the financial arm.

*Intecap (Instituto Técnico de Capacitación y Productividad)* is responsible for training and vocational education. Intecap's board has representatives from government, business, and labor.

### ***Mexico***

*Cadelec (Cadena Productiva de la Electrónica).* From website: "Somos una asociación civil (A.C.) constituida a finales 1997. Nace de la Vicepresidencia de Desarrollo de Proveedores de CANIETI, Sede occidente. Las empresas fundadoras: HP, IBM, Flextronics, Jabil. Respaldada por el Gobierno del Estado de Jalisco a través de la Secretaría de Promoción Económica (CEPE y COECYTJAL. Apoyados por la Fundación Mexicana para la Innovación y Transferencia de Tecnología en la Pequeña y Mediana Empresa A.C. (FUNTEC). VISION: Consolidar la integración del sector electrónico e informático de Jalisco."

*Codech (Consejo para el Desarrollo Económico del Estado de Chihuahua)* (Ramos, 2006; Topal, 2008). Members: governor; el empresariado: los Presidentes de Desarrollo Económico del Estado de Chihuahua, Desarrollo Económico de Ciudad Juárez, otros empresarios por designación directa y los representantes de los CCE de Juárez y Chihuahua; presidentes de las Cámaras (CANACO, CANACINTRA, CMIC y COPARMEX), y de la Unión Ganadera; secretarios de: Desarrollo Industrial, Desarrollo Comercial y Turístico, Desarrollo Rural, Planeación, y Educación; la academia: UACH, UACJ, UTCH, ITCH, ITESM y de Institutos tecnológicos regionales; un representante del Congreso Estatal; representantes del Gobierno Federal: SE, NAFIN, CONACYT y STPS; tres representantes de organizaciones sindicales y presidente de la FECHAC (organismo de la sociedad civil).

*Desec (Desarrollo Económico del Estado de Chihuahua)* was created by the private sector in the 1960s (Ramos, 2006). By 1980s the state government created agencies to promote

development, and worked with Desec. Collaboration evolved in late 1980s and early 1990s into Chihuahua Siglo XXI (CS21). CS21 functioned well through 1998, especially in promoting clusters. “The project has had a major impact on competitiveness and long-range thinking, not only in Chihuahua as a whole but also at company level. Although it is hard to isolate the impact of CS21 on the state economy, a comparison with its historical trends and those of other Mexican border states shows a better performance in terms of job creation, investment attraction and overall competitive advantages.” Over “150 initiatives were developed, and over 60% were successfully completed” (Ramos, 2006: 2). CS21 also led to spin off associations and councils focused on local regions, sectors, or specific issues. The new governor in 1998 stopped all public sector participation, and private sector continued on its own until 2004 when the new governor revived public-private dialogue and created Codech, which has “about 30 high-ranking representatives of the governmental, business, labor, and educational sectors” (Ramos, 2006: 3). Budgets varied from around \$400,000 in the mid-1990s, split evenly between business and government, to \$100,000 exclusively from business between 1998 and 2004, back to \$400,000 evenly split after 2004.

*Consejo Estatal del Café del Estado de Oaxaca* (Snyder, 2001: 86–96) was established in 1990 with parity on the board between representatives of government and of producer organizations.

*Innovatia* (Durán Ruiz, 2006) was a civil association with a board drawn from software business, Universidad Autónoma de Aguascalientes, Universidad Tecnológica Regional, State Ministry of Economic Development, and National Institute of Statistics and Geography (INEGI). The president is from business and has staff of at least 2 people. Similar public-private associations exist in software clusters in Mexico City, Monterrey, and Guadalajara.

*Cofemer* (Federal Commission for the Improvement of Regulations). (Herzberg and Wright, 2005: 5).

### ***Uruguay***

*Conapro* (Fraile and Baccaro, 2008: 23). National Programmatic Concertation. Tripartite. Mid-1980s, then again after 2005.

National Compromise (Fraile and Baccaro, 2008: 24). Tripartite.

### ***Venezuela***

1958-88, access for Fedecamaras and other business associations expanded dramatically. By one calculation, business came to have 67 seats on the boards of 68 decentralized agencies and 663 seats (15 percent of all seats) on 314 consultative commissions (Crisp, 1996: 37, 39, 41; Corrales and Cisneros, 1999: 2107). Fedecamaras was represented in planning entities like Consejo de Economía Nacional and Sistema de Planificación Venezolana (López Maya, Gómez Calcaño, and Maingón, 1989: 88–89).

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