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The Costs of Questionable Policies
Sidney Weintraub

Until Barack Obama won the 2008 presidential election, it was taken for granted that no African-American could become president of the United States. Any great talent in that population group, about 13.5 percent of Americans, was discarded for the top position in the country. The situation has changed, and the United States is surely better for it.

Saudi Arabia and some other countries essentially ignore the non-childbearing talents that exist or could be developed in the female half of their populations. If the Taliban were to dominate or play a large role in Afghanistan in the future, its goal would be to keep females in subordinate positions. The males who dominate highly orthodox groups of Judaism also see their females primarily as bearers of children, not as potential talent to be educated for other tasks as well. Only males can be priests in the Roman Catholic Church. All these exclusions on religious grounds have origins that began centuries ago, but that does not remove the nearsightedness of the inefficient policies that are still followed.

Bolivia lost its access to the sea when Chile annexed much of the access route following its victory in the War of the Pacific. Bolivia, now a large producer of natural gas, refuses to sell any of this to Chile, a country that must import gas. The loss of Bolivian access to the sea took place 125 years ago. In 2001, outside experts advised Bolivia to build a pipeline to the Pacific coast to liquefy its gas there for shipment to the west coasts of Mexico and the United States. Bolivia rejected this recommendation because it pointed to a port in Chile as the most economic route to the sea.

One legacy from the oil expropriation in Mexico in 1938 is that the state oil company, *Petróleos Mexicanos* (Pemex), retains a monopoly on exploration for and production of oil in the country. Article 27 of Mexico's constitution is generally interpreted as preventing private equity participation in the oil that is the property of the state. Public opinion polls invariably support these positions.

Mexico's oil production is declining, and Mexico is steadily running out of reserves. Pride in an expropriation that took place more than 70 years ago is still a more powerful sentiment than producing more oil. It is not clear that pride will continue to be the dominant sentiment if Mexico becomes an oil importer, as it already is for oil products and natural gas.

Néstor Kirchner was elected president of Argentina in 2003 when he was relatively unknown in the country. One technique he used to build his popularity was to keep natural gas prices low for domestic use—so low that many gas producers could not make a profit by selling the product. The consequence is that most investment in natural gas ceased, and Argentina was transformed from an exporter of this product to an importer. Kirchner's actions still beset Argentina's natural gas position. Indeed, Chile now imports more natural gas in liquefied form than it needs and is able to sell some of this excess to Argentina.

The United States is not immune to taking anti-economic measures for political reasons. Despite committing itself in the North American Free Trade Agreement (NAFTA) to allow Mexican trucks that meet safety standards to deliver cargo directly to U.S. destinations in the year 2000, the U.S. government reneged on this obligation at the last moment at the urging of the Teamsters Union—alleging that Mexican trucks and drivers were unsafe. To minimize the political fallout, the two governments worked out a special program in 2007 that permitted a limited number of Mexican trucks to bring cargo to U.S. destinations. Congress this year removed the funds for this pilot program in a spending bill that was signed by President Obama. Research after the funds were removed showed that Mexican trucks were safe, indeed, safer than comparable U.S. trucks. A dispute settlement panel in 2001 had ruled that Mexico had the right to retaliate because of the U.S. failure to honor its trucking obligation in NAFTA, but Mexico chose not to do so for fear of tit-for-tat trade restrictions. However, after the United States

cut the funding for the special program, it was clear to Mexican leaders that the United States did not intend to comply with its NAFTA commitment. Mexico then imposed tariffs on a variety of imports from the United States amounting to more than \$2.2 billion. As this is being written, there is no evidence that Congress will favor the exporters losing their sales, but rather is likely to maintain its restrictions on Mexican trucks.

The United States subsidizes ethanol made from corn and also imposes duties on cheaper, sugar-based ethanol from Brazil. The argument is that this conforms to the U.S. desire to become energy independent. For the United States, a rich country that regularly squanders resources, as it currently does with producing ethanol and restricting Mexican trucks, this makes no more sense than when other countries adopt anti-economic measures.

Examples of shortsighted policies are not limited to the economic realm. President Hugo Chávez is limiting Venezuela's democracy step by step—for example, by seeking to change the constitution to eliminate limits on his time as president and by reducing the power of opposition media—and when the time of reckoning comes, as it surely will, it may be violent. Political repression is almost complete in China, a situation that surely cannot endure as the country becomes more powerful economically. On the opposite tack, the military in Burma is intent on remaining in power and will brook no opposition—and this too has its limits. It is hard to understand why the United States continues to try to isolate Cuba when what is happening is that the United States is itself isolated in its policy toward that country.

Much of what I have written in this commentary will be criticized as ignoring the strength of long-entrenched habits and national emotions. However, policies that contribute to economic hardships, or complicate internal social and political harmony, are inadequate no matter what their age. The basis for the policies discussed here include long-standing social mores, such as inferior status for females; pride in past accomplishments, such as Mexican oil expropriation; resentment of a past defeat, such as Bolivia's loss of access to the sea; and the desire of those in power to amass further power, as in Venezuela. None of this is remarkable. Those who benefit from the practices listed above normally resist change; those who pay the price for these practices are apt to favor change. It seems self-evident to say this—*seems*, because many people accept policies that do not benefit them. U.S. corn producers favor the current structure of subsidies and import protection for producing ethanol—but so do others who must pay the higher cost that this structure entails.

I could give many more examples of costly policies, particularly in countries in Africa and South Asia that cannot afford to waste resources. Because these policies

are questionable on their face, it is instructive to examine how they are justified. President Lázaro Cárdenas expropriated the holdings of foreign oil companies after the companies refused to obey Mexican court orders. All Mexican schoolchildren are taught this history. The word “private” is still anathema in the oil sector to a majority of Mexicans. Thus, when Andrés Manuel López Obrador (the leftist candidate who almost won the presidential contest in 2008) wants to attack government proposals on energy, he calls them “privatization.” In fact, Mexico could make changes on private and foreign investment without privatizing the oil industry in the usual sense of that word. Petrobras, Brazil's national oil company, enters into joint ventures with international oil companies—the policy, however, is controlled by the Brazilian government. Cuba is seeking private partners to explore for oil off its coast. If Mexico one day finds it necessary to change its restrictive policies on independent equity investment, it will have to substitute a term other than private investment—“cooperation” or “technical partnership” in place of the forbidden “private investment.”

One phrase used repeatedly by those who oppose the health care program proposed by President Obama is “government run.” This description is so powerful that the Obama administration was afraid to introduce a single-payer system as an option. Medicare is run by the government, but the elimination of this existing program would be met by fierce opposition. The administration has worked desperately to minimize the government role in “running” the health care system.

The cost of questionable policies cited here is high—indeed, astronomical when it comes to subordination of females. Mexico may be unable to finance its budget if Pemex becomes an oil importer—it will then have to act in a crisis atmosphere. Latin America would be a more prosperous hemisphere if there were deeper cooperation among its countries. There is no economic reason why the United States should limit ethanol imports from regional countries that can produce this product more cheaply from sugar today and nonfood products in the future. Readers of this commentary can surely cite other examples of the high cost of questionable policies—the high economic cost, and the high cost of political repression.

Sidney Weintraub holds the William E. Simon Chair in Political Economy at CSIS.

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