

[Free trade in South America](#) [1]

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I breakfasted yesterday with Felipe Larrain, the finance minister of Chile. One of the interesting points that came up is why the countries with the most developed economies in South America don't have more of a say in world affairs. Their combined GDP does, after all, match up to China's and overtakes India's ? yet those two countries have a much greater presence.

I guess the answer is that countries like (to take them in order of GDP per capita) Uruguay, Chile, Brazil, Venezuela, Argentina, Costa Rica and Peru are all very different places. They have different histories and different historical links to other countries. Brazil even has a different language. It seems to have been hard enough for them even to establish free trade between them. Although Chile has free trade agreements with 59 countries, other countries put astonishing tariffs on their trade to keep out competitors.

But free trade in goods probably has to come before anything else. Then maybe the free movement of capital. The free movement of people ? that is, immigration ? is always treated with suspicion, in any part of the world. But it becomes feasible, almost natural, once you are locked into close trading relationships with other countries. South America is still a long way off that. And Brazil, the country which dominates the region on account of its vast area and vast population, is hardly a free-market paradise. It is more keen to go its own way in the world, rather than form alliances with the likes of market-oriented Chile. So the more market-driven economies of South America seem destined, for some decades at least, to punch below their weight in world affairs, while more coherent regions have undue influence.

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