

EXAMINING THE BENEFITS OF BRAZIL JOINING THE OECD: LESSONS FROM CHILE AND MEXICO

EXAMINANDO LOS BENEFICIOS DE LA ADHESIÓN DE BRASIL A LA OCDE: LECCIONES DE CHILE Y MÉXICO

Edson Roberto Vieira

Federal University of Goiás

<https://orcid.org/0000-0002-6563-7702>
edson.vieira@ufg.br

Andréa Freire de Lucena

Federal University of Goiás

<https://orcid.org/0000-0003-2984-3688>
andrealucena@ufg.br

Antônio Marcos de Queiroz

Federal University of Goiás

<https://orcid.org/0000-0001-9050-2781>
antonio.marcos.queiroz@ufg.br

Flávia Rezende Campos

Federal University of Goiás

<https://orcid.org/0000-0003-1362-101X>
flaviarezende@ufg.br

Vitor Pereira Salgado

Federal University of Goiás

<https://orcid.org/0000-0002-1173-7441>
vitor.salgado@ufg.br

Resumen:

Este estudio busca analizar los principales beneficios de la posible adhesión de Brasil a la Organización para la Cooperación y el Desarrollo Económico (OCDE), basándose en las experiencias de Chile y México. Se empleará el Método de Control Sintético (MCS), que consiste en construir un contrafactual para una economía expuesta a una intervención (perteneciente a la OCDE), replicando el comportamiento económico previo a la intervención de una economía comparable. Los resultados indican que la adhesión a la OCDE no generó una diferencia significativa en el desempeño económico de Chile y México, lo que podría desalentar a Brasil a adoptar medidas orientadas a su incorporación a la organización.

Abstract:

This study aims to analyze the main benefits of Brazil's potential accession to the Organization for Economic Co-operation and Development (OECD), drawing on the experiences of Chile and Mexico. The Synthetic Control Method (SCM) will be employed, which involves constructing a counterfactual for an economy exposed to an intervention (OECD membership) by replicating the pre-intervention economic behavior of a comparable economy. The results indicate that OECD accession did not generate a significant difference in the economic performance of Chile and Mexico, which may discourage Brazil from adopting measures to pursue OECD membership.

Clasificación JEL/JEL Classification: C21, F43, F53.

Palabras clave/keywords: Organization for Economic Co-operation and Development; economic growth; Brazil; Chile; Mexico.

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1. Introduction

Over the years, the Organization for Economic Co-operation and Development (OCDE), originally composed of developed countries, began admitting developing nations and now counts 38 full members. Thus, while often characterized as the “rich countries’ club,” the economies of OCDE member states vary substantially, encompassing countries such as Chile, Colombia, and Mexico (Ault, 2009).

According to the OECD, Brazil has maintained a cooperative relationship with the Organization since 1990. It has participated in Ministerial Meetings and contributed to committees and various projects since 1999. Since 2007, the OECD has sought to strengthen cooperation with Brazil, China, India, Indonesia, and South Africa, elevating these nations to the status of Key Partners (Vieira *et al.*, 2021). This designation allows them to adopt OECD legal instruments, participate in its bodies, and be included in its reports and statistical surveys (OECD, 2020b).

To further strengthens relations, during the Michel Temer administration (August 2016-December 2018), Brazil submitted a formal request to begin its accession process to the OECD and thus become a full member of the Organization. The government believed its request could be swiftly approved, given Brazil’s active participation as a partner member. However, the United States stalled the negotiations (Thorstensen and Gullo, 2018).

Then, in 2022, under the Jair Bolsonaro administration (2019-2022), Brazil—alongside Argentina, Peru, Romania, Bulgaria, and Croatia—was formally invited by the OECD to begin accession talks, reviving the efforts initiated during the Temer government. During this period, Brazil adopted an unconditional alignment with OECD rules to expedite negotiations, a central foreign policy objective of President Bolsonaro (Norberto, 2023).

Under the Lula administration, which began in 2023, Brazil resumed negotiations with a more pragmatic approach. The government emphasized that any future accession must align with the country’s political priorities while preserving autonomy in areas of national interest (Norberto, 2023). On his final day at the 2023 World Economic Forum Annual Meeting in the Swiss Alps, Finance Minister Fernando Haddad stated that his ministry had already established a working group to outline the terms for potential OECD membership (Scaramuzzo, 2023).

The role of the working group established within the Ministry of Finance would be to provide technical support for the Lula administration’s decisions regarding Brazil’s potential accession to the

OECD (Norberto, 2023). While Brazil has already adopted more than 100 of the OECD's 272 legal instruments, the Lula government still appears hesitant about the potential benefits of joining the Organization. It has shifted its foreign policy priorities, focusing instead on other initiatives such as the G20 and BRICS+¹ (Oliveira *et al.*, 2025).

Private sector actors have argued that the benefits of Brazil joining the OECD may outweigh potential costs, maintaining that there is no contradiction between the economic agenda of OECD accession and the Brazilian government's priorities, particularly in the social sphere (Moreira, 2024). Some scholars further contend that membership could make the country more attractive to foreign investment by stimulating economic reforms, boosting confidence among economic agents, lowering interest rates for investment capital, and consequently enhancing productivity across the economy.²

Critics of this process, however, contend that: 1) there may be no actual improvement in perceived investment security, as investors typically rely on existing indicators—such as economic growth, the public debt-to-gross domestic product (GDP) ratio, international reserves, and the current account balance (Shalders and Mota, 2019); 2) the world's top destinations for foreign direct investment (FDI) are not OECD members; 3) membership could constrain national policy autonomy by standardizing regulations, potentially limiting sovereign control over economic policies; 4) additional financial burdens may arise from mandatory regular contributions to the OECD; and 5) credit ratings from risk agencies (e.g., sovereign investment grade) may matter more than OECD membership—evidenced by China and India, which lead global GDP growth despite non-membership (Machado and Galvão, 2018; Shalders and Mota, 2019).

A further critique is that OECD membership does not legally bind countries to adhere to its guidelines. Since noncompliance with rules or recommendations carries no sanctions, implementation ultimately depends on legislative approval, which may conflict with executive priorities. This issue has gained attention recently, particularly amid trade conflicts and unilateralism under the Trump administration.

¹ The BRICS grouping (Brazil, Russia, India, China, South Africa)—a term originally formulated by Goldman Sachs economist Jim O'Neill in 2001—expanded in 2024 to incorporate Saudi Arabia, Egypt, the United Arab Emirates, Ethiopia, and Iran as full members. This expanded formation is now commonly referred to as BRICS+ (RFI, 2024).

² See, for example, Davis (2016), Canuto and Santos (2021), and Ivanov (2024).

Proponents counter that even under these conditions, OECD accession fosters sustained dialogue with other nations, promotes multilateralism, and strengthens international trade frameworks—offering a counterbalance to individual countries’ isolationist policies.³ In this context, Rose (2005) emphasizes that OECD membership may yield significantly greater benefits for a country’s international trade than partnership with the International Monetary Fund (IMF) or even the World Trade Organization (WTO), whose primary function is precisely to manage and promote global trade liberalization.

Thus, this study aims to analyze the potential benefits of Brazil’s eventual OECD accession by examining the experiences of Chile and Mexico. Specifically, to assess the possible gains from Brazil’s OECD membership, we will examine these two country cases and evaluate the effects of OECD accession on their respective economies. This analysis will then inform discussions about the potential economic benefits for Brazil.

This study employs the Synthetic Control Method (SCM), developed by Abadie and Gardeazabal (2003) and Abadie *et al.* (2010), following the application in Vieira *et al.* (2021). A key contribution of this work lies in applying this established empirical methodology to investigate how economic and policy measures affect the Brazilian economy. SCM’s underlying framework constructs a synthetic counterfactual for an economy exposed to an intervention or shock. This counterfactual is created as a weighted combination of control economies, designed to replicate the subject economy’s pre-intervention economic behavior. The analysis then compares outcomes between the actual and synthetic economies to estimate intervention effects.

In addition to this introduction and the concluding remarks, the study comprises three core sections. Section 2 delineates the OECD’s institutional role and conducts a systematic cost-benefit analysis of full membership accession. Section 3 details the SCM methodology and data. Finally, section 4 applies the analysis to Brazil’s potential accession, using Chilean and Mexican cases as benchmarks.

³ For more details, see Rose (2005), Canuto and Santos (2021), and Ivanov (2024).

2. Potential costs and benefits of OECD membership for member countries

Broadly speaking, the OECD aims to promote the design and implementation of policies that address challenges across multiple domains—including economic growth, taxation, employment, environmental protection, education, transparency, and anti-corruption efforts (OECD, 2020a). Beyond serving as a forum for governments to exchange policy experiences and develop shared solutions, the OECD functions as a global think tank.

The OECD carries out its work through specialized committees that operate across various policy areas—including economics, trade, financial markets, labor, and public governance. These committees meet regularly to make decisions on specific issues and to submit proposals to the Ministerial Council. Policy measures are debated within these specialized committees with participation from national policymakers, before the Ministerial Council adopts consensus-based decisions for implementation by member states (Vieira *et al.*, 2021). The Organization’s recommendations typically consist of two components: 1) a statement of general principles, accompanied by 2) more detailed rules outlined in an annex titled “Guidelines”. While these OECD recommendations are non-binding and voluntary in nature, they are developed through a collaborative, multilateral process (Ault, 2009; Batista, 2018).

For many countries, the decision to join the OECD appears non-random, with strong correlative patterns observed between income levels, alliance structures, and democratic governance among member states. This suggests the organization attracts like-minded states and facilitates economic cooperation (Davis, 2016). Upon accession, members gain access to a permanent dialogue platform with the world’s most developed economies, enabling the exchange of experiences, policies, and shared principles, as well as access to expert-led reports and analyses conducted by the Organization (Ivanov, 2024).

Similarly, Canuto and Santos (2021) posit a mutually reinforcing link between robust institutions and sound policies. They emphasize that this alignment is embedded in the OECD Convention’s three core objectives: promoting sustainable economic growth, expanding multilateral non-discriminatory global trade, and ensuring the political and financial stability of member states. Their study presents empirical evidence associating OECD membership with increased international trade, reduced country risk, growth in foreign direct investment, and improvements in education and governance. They underscore that a key contribution of the OECD to its members’ sustainable economic

growth lies in its advocacy for strong institutions, which must accompany sound economic policy practices.

Davis (2016) highlights that OECD accession imposes specific behavioral norms and commitments to liberalize trade, finance, and investment policies, generating reputational gains that influence investment decisions by economic actors. To substantiate this, the author details four case studies of OECD members—Japan, Mexico, Korea, and the Czech Republic—noting that Japan relinquished key industrial policy instruments, South Korea undertook significant state-centered banking reforms, and Mexico, despite prior liberalization under the North American Free Trade Agreement (NAFTA), faced additional demands for policy adjustments.

Among the potential benefits of OECD membership, Rose (2005) emphasizes gains in international trade. His study concludes that accession increases average bilateral trade by over 50%—exceeding gains from the General Agreement on Tariffs and Trade (GATT, later WTO) or IMF membership. Using a gravity model estimated via panel data methods across 175 countries (1948-1999), Rose quantified the effects of international institutions (GATT/WTO, IMF, OECD) on trade flows.

This finding is reinforced by Davis and Gowa (2013, as cited in Davis, 2016), whose gravity model results indicate a positive and significant OECD effect on bilateral imports. The estimated magnitude was nearly half that of European Union (EU) accession and four times greater than GATT/WTO participation.

Gray (2013) suggests that sovereign risk can diminish upon joining international organizations like the EU, MERCOSUR,⁴ or the OECD. Employing an econometric model with controls for pre- and post-accession reforms, she attributes this reduction primarily to reputational gains. Such organizations typically impose rigorous accession requirements, establish norms that constrain members' policy flexibility, and implement enforcement mechanisms to ensure compliance.

In this context, Dreher and Voigt (2011) estimated a panel data model for 137 countries (1984-2004) to analyze whether international organization membership enhances governmental credibility. They constructed three variables measuring institutional participation intensity, finding that deeper engagement correlates strongly with lower country risk ratings.

⁴ As is known, the EU is a political and economic union comprising 27 European countries. MERCOSUR is an economic and political bloc in South America, established in 1991, whose full members are Argentina, Brazil, Paraguay, and Uruguay.

Thus, the aforementioned studies suggest that it is beneficial for countries to join and adhere to OECD recommendations, as this may enhance institutional and political security levels. Such improvements contribute to increased investment inflows, reduced interest rates on external borrowing, and consequently, promote economic growth.

However, other studies argue that certain costs of OECD membership could outweigh its benefits. They contend that relinquishing policy-making autonomy for economic gains—which might potentially be achieved without formal OECD accession—may not justify the compromise in sovereign capacity to formulate and implement public policies.

Machado and Galvão (2018) highlight that China and India have achieved economic growth rates substantially above the global average without OECD membership. In this context, the authors raise three critical concerns: 1) for developing countries, securing an investment grade rating from international risk agencies may hold greater significance than OECD accession; 2) upon joining the OECD, a developing nation may forfeit benefits derived from its developing-country status; and 3) OECD accession requires implementing numerous measures that prove difficult to approve in democratic systems with multi-representative legislative bodies.

Similarly, Shalders and Mota (2019) suggest in their analysis that the perceived “seal” of OECD membership may not yield tangible economic benefits, noting that investors prioritize indicators such as economic growth rates, country risk levels, and public debt trajectories over institutional affiliations.

A further critical aspect of OECD accession is the absence of effective international enforcement mechanisms for OECD recommendations. While accession requires compliance with the Organization’s legal instruments, most guidelines lack legal binding force, potentially limiting their effectiveness in protecting rights and the environment. A country’s accession signifies political commitment but does not subject it to international adjudication for non-compliance with the majority of OECD norms (Mendes, 2024).

Mello (2020) emphasizes the complexity of the accession process, which involves approximately 25 technical committees and entails non-negligible political and institutional costs. Moreover, the author notes that major economic powers may extract political concessions during pre-accession negotiations. Thus, accession can function as a geopolitical instrument to impose external agendas with limited substantive dialogue.

Tasqueto *et al.* (2025) examined the institutional frameworks implemented by Mexico, Chile, Colombia, and Costa Rica during their OECD accession processes, highlighting how institutional disparities between candidate countries lead to uneven implementation of required reforms. Nations with weaker infrastructures face greater obstacles, necessitating concentrated technical efforts under centralized leadership—typically involving the Head of the Executive Branch and core ministries—to meet accession criteria.

While acknowledging benefits, Thorstensen and Gullo (2018) caution that accession may undermine a country’s independence to implement industrial and development policies tailored to its specific context and national interests. Consequently, the central challenge for candidate countries lies in balancing liberalization commitments with national development strategies while preserving autonomy in sensitive policy areas.

In sum, arguments both in favor of and against OECD accession underscore the importance of examining the Organization’s potential contributions to member states’ economic growth. The following section outlines the methodology used to assess whether Chile’s and Mexico’s post-accession economic growth can be associated with OECD recommendations.

3. Methodology and data

3.1 *Estimation strategy*

To assess the potential economic impacts on Brazil resulting from the loss of its developing country status at the WTO and its potential accession to the OCDE, we employ the Synthetic Control Method (SCM) developed by Abadie and Gardeazabal (2003) and refined by Abadie *et al.* (2010)—following the methodological framework established in Vieira *et al.* (2021).

The SCM evaluates the economic effects of a specific intervention or shock on a given unit, such as a municipality, state, country, or other region. During the pre-intervention period, the method identifies an optimal convex combination of similar but unaffected control units that best approximates the relevant economic characteristics of the affected unit. This allows comparison of the post-intervention economic trajectory of the synthetic control unit with the actual observed trajectory of the affected unit, thereby isolating the causal effect of the intervention (Vieira *et al.*, 2021).

The SCM has been widely employed to examine various empirical contexts and their economic effects on states, countries, and other geographic regions. Applications have included analyses of monetary system changes (Zudel and Melioris, 2016), IMF program adoptions (Newiak and Willems, 2017), economic reform implementations (Adhikari *et al.*, 2018), territorial modifications (Abadie *et al.*, 2015), export growth patterns (Vieira and Xavier, 2017), exchange rate policy utilization (Bruha and Tonner, 2018), and tax reforms (Adhikari and Alm, 2016).

In the context of this study, several researchers have applied SCM to examine the effects of trade-related events or external shocks on national economies. Recent examples include Verevis and Ungor's (2020) examination of the economic consequences for New Zealand following its 2008 free trade agreement with China. Kassa and Coulibaly (2019) analyzed the impact on foreign trade of the African Growth and Opportunity Act, which facilitates Sub-Saharan African countries' duty-free access to the United States goods and services markets. Streatfeild (2018) investigated whether changes in trade volumes better explain improvements in African states' revenue collection capacity and public service provision, focusing on Ghana's experience. Hannan (2017) assessed the effects of trade agreements across 64 country pairs in Latin America between 1989 and 1996. Finally, Gomis-Porqueras and Puzzello (2018) estimated the effect of joining the monetary union on per capita income for the six founding countries of the eurozone (Vieira *et al.*, 2021).

This methodological approach has demonstrated effectiveness in trade policy analysis by establishing credible counterfactuals, isolating causal effects in non-experimental settings, and generating robust findings across diverse economic contexts. The growing body of research employing SCM to examine trade-related phenomena supports its appropriateness for assessing the potential impacts of Brazil's OCDE accession, particularly when complemented by rigorous sensitivity analyses and placebo tests to validate the results.

This study specifically examines the effects of OCDE accession on the GDP per capita of Chile and Mexico. Drawing on the SCM framework developed by Abadie and Gardeazabal (2003) and Abadie *et al.* (2010), we analyze a time series of $J + 1$ units (countries in this case), where $j = 1$ represents the country exposed to the intervention (OCDE accession), and $j = 2$ to $J + 1$ are potential candidates for the synthetic control group (the "donor pool" of non-intervention countries). The synthetic control is constructed using a vector of non-negative weights, $W = (w_2, \dots, w_{J+1})$, which sum to unity. Each

weight w_j reflects the contribution of a donor country to the synthetic counterfactual, with different weight combinations producing distinct synthetic controls.

The pre-intervention period spans T_0 time points ($1 = T_0 < T$), where T is the total observed periods. For each country i and period t , the outcome Variable Y_{it} is observed. Let Y_{it}^N denote the outcome without intervention, and Y_{it}^I the outcome with intervention. The treatment effect for country i at time t is:

$$\alpha_{it} = Y_{it}^I - Y_{it}^N \quad (1)$$

An indicator variable D_{it} marks intervention exposure (1 if treated, 0 otherwise), allowing the observed outcome to be expressed as:

$$Y_{it} = Y_{it}^N + \alpha_{it}D_{it} \quad (2)$$

Since only the treated country ($i = 1$) undergoes intervention after T_0 , we estimate post-intervention effects ($\alpha_{1,T_0+1}, \dots, \alpha_{1T}$) by comparing observed outcomes to the synthetic counterfactual:

$$\alpha_{1t} = Y_{1t}^I - Y_{1t}^N = \hat{Y}_{1t} - Y_{1t}^N \quad (3)$$

To estimate the unobserved Y_{it}^N , we assume it follows:

$$Y_{it}^N = \delta_t + \theta_t Z_i + \lambda_t \mu_i + \varepsilon_{it} \quad (4)$$

where δ_t is a shared time trend, Z_i are observed covariates, θ_t and λ_t are unknown parameters, μ_i captures unobserved country-specific factors, and ε_{it} represents transient shocks.

The synthetic control weights W are chosen so that donor countries collectively mirror the treated country's pre-intervention traits. Formally, W^* minimizes the distance between the treated unit's characteristics (X_1) and the weighted donor pool ($X_0 W$), subject to non-negative weights summing to 1. The synthetic counterfactual is then:

$$\hat{Y}_{1t}^N = \sum_{j=2}^{J+1} w_j Y_{jt} \quad (5)$$

and the treatment effect is:

$$\widehat{\alpha}_{1t} = Y_{1t} - \hat{Y}_{1t}^N \quad (6)$$

Model fit is assessed via the Root Mean Square Prediction Error (RMSPE) for pre-intervention periods:

$$RMSPE = \left(\frac{1}{T_0} \sum_{t=1}^{T_0} \left(Y_{1t} - \sum_{j=2}^{J+1} w_j^* Y_{jt} \right)^2 \right)^{1/2} \quad (7)$$

A low RMSPE indicates close alignment between the treated country and its synthetic counterpart before intervention.

To test robustness, we conduct placebo tests by artificially assigning “treatment” to donor countries. If the estimated effect for the true treated country vastly exceeds those for placebo units, the result is likely genuine (Abadie *et al.*, 2015). Countries with excessively high RMSPE values (indicating poor pre-intervention fit) are excluded, as their post-intervention divergence may reflect non-treatment factors. The core logic is simple: if SCM applied to untreated countries shows negligible gaps between their actual and synthetic trajectories, the estimated treatment effect for the OCDE-accessed country is credible.

3.2 Data

This study constructs a synthetic control unit to assess the potential economic impacts of Brazil’s accession to the OCDE. To achieve this, the SCM is applied to create synthetic counterfactuals for the Chilean and Mexican economies, which are then compared to their actual economies. This comparison is particularly relevant since Mexico joined the OCDE in 1994 and Chile in 2010, making them the only Latin American and Caribbean member states until Colombia’s accession in April 2020. By analyzing the effects of OCDE membership on these two economies, the study aims to provide a reference framework for discussing Brazil’s potential trajectory. As carried out by Vieira *et al.* (2021), synthetic control units for Chile and Mexico (hereafter referred to as Synthetic Chile and Synthetic Mexico) are constructed using balanced panel datasets covering the periods 1980 to 2018 for Mexico and 2000 to 2018 for Chile. These time frames were selected based on data availability and the differing years of OCDE accession for each country.

The donor pools for Synthetic Chile and Synthetic Mexico were carefully constructed by selecting countries that met three essential criteria: they had to be classified as emerging markets or developing economies according to the IMF, belong to the Latin America and Caribbean region, and possess complete datasets for all variables used

in the synthetic control methodology. This stringent selection process ensured the inclusion of only the most comparable regional economies with full data availability, which is crucial for creating valid counterfactuals. By focusing on IMF-classified emerging/developing nations within Latin America and the Caribbean, we maintained regional and economic consistency, while the data completeness requirement guaranteed that no imputations or approximations were needed that could potentially bias the results. This methodological rigor in donor pool selection strengthens the reliability of our synthetic control analysis for evaluating the economic impacts of OCDE accession on both Chile and Mexico, providing a robust foundation for subsequent comparisons with Brazil's potential accession scenario.

Table 1

Variables used in the construction of synthetic control units

<i>Data used</i>	<i>Data sources</i>
Deficit (surplus) in current transactions	World Economic Outlook Database, International Monetary Fund
Consumer price index	World Economic Outlook Database, International Monetary Fund
Foreign direct investment (FDI)	World Development Indicators, World Bank
GDP (in US\$)	World Development Indicators, World Bank
GDP per capita (in US\$)	World Economic Outlook Database, International Monetary Fund
International reserves	World Development Indicators, World Bank
Unemployment rate	World Development Indicators, World Bank

Source: Authors' elaboration with data from IMF (2020) and World Bank (2020).

The resulting donor pools, while necessarily limited in size due to these strict criteria, offer the most appropriate set of comparator countries for this specific research context. In constructing Synthetic

Chile, 15 countries were included in the donor pool,⁵ while Synthetic Mexico utilized 13 countries⁶ selected based on three key criteria: classification as emerging or developing economies by the IMF, location in Latin America/Caribbean, and complete data availability for all analyzed variables. The analysis incorporated six fundamental macroeconomic indicators evaluating both internal and external economic aspects: 1) current account balance to GDP ratio, 2) FDI to GDP ratio, 3) international reserves to GDP ratio, 4) unemployment rate, 5) consumer price index (inflation), and 6) GDP growth rate, with specific data sources detailed in Table 1 of this study. The difference in donor pool size (15 vs. 13 countries) reflects variations in data availability across the respective study periods (2000-2018 for Chile and 1980-2018 for Mexico), while maintaining identical methodological rigor for both synthetic control constructions, ensuring comparable results and a valid assessment of OCDE accession impacts. The selected variables provide comprehensive coverage of external sector performance (indicators 1-3), domestic economic conditions (4-6), and both cyclical fluctuations and structural economic characteristics.

4. Results

Both Mexico and Chile began implementing measures aligned with OCDE recommendations well before their formal accession to the Organization. In Mexico's case, the country initiated trade liberalization, financial market deregulation, industrial policy reforms, and reduction of public sector involvement in the economy as early as the 1980s (Moreno-Brid, 2016). Mexico emerged as a regional pioneer in trade liberalization, particularly after joining GATT in 1986, when it dramatically reduced import barriers, including the elimination of import licensing requirements between 1985 and 1989 (Ros, 1993).

These measures were followed by additional reforms in the late 1980s, including privatization programs, financial services liberalization, removal of interest rate controls, and significant reductions in government-subsidized private sector loans, which diminished the role of development banks in Mexico's financial system (Clavijo and Boltvinnik, 2000). Although implemented in December 1994, NAFTA was

⁵ Bolivia, Brazil, Colombia, Costa Rica, El Salvador, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, and the Dominican Republic.

⁶ Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Panama, Paraguay, Peru, and the Dominican Republic.

signed in December 1992, specifically designed to eliminate tariff and non-tariff trade barriers while removing restrictions on cross-border investments between Mexico and its two partners (Canada and the United States). Notably, Davis (2016) emphasizes that Mexico's OCDE accession should be viewed within the context of its NAFTA negotiations. Having agreed in 1990 to pursue a free trade agreement with the United States and Canada, Mexico's subsequent 1991 announcement of its OCDE membership intentions represented a complementary step to broaden its economic reform agenda. Following OCDE accession, Mexico continued adopting Organization-endorsed policies, including central bank autonomy, inflation targeting, fiscal deficit reduction measures, and flexible exchange rate regimes (Córdova and Padilha, 2016). This reform trajectory demonstrates how OCDE membership both reflected and reinforced Mexico's pre-existing commitment to market-oriented economic transformation.

Table 2

Average values of the covariates of Mexico and Synthetic Mexico in the period prior to accession to the OCDE (1980-1993)

<i>Dependent Variable: Per capita GDP variation index</i>		
<i>Covariates</i>	<i>Mexico</i>	<i>Synthetic Mexico</i>
Current account/GDP	-1.53	-2.57
FDI/GDP	1.10	1.04
Reserves/GDP	0.04	0.06
Unemployment rate (1991-1993)	3.19	4.28
Consumer price index	6.09	24.17
GDP variation index	115.34	124.31
Composition of Synthetic Mexico	Guatemala: 47.9%; Panama: 25.7%; Colombia: 14.7%; Brazil: 11.7%	

Source: Authors' elaboration based on SCM results.

Regarding Chile, Bergoeing *et al.* (2010) highlight the structural reforms implemented as early as the 1970s. These comprehensive reforms included: 1) market liberalization to improve productive resource allocation; 2) public sector reforms to achieve macroeconomic stability and enhance efficiency; 3) trade reforms promoting exports and import liberalization; 4) pension system transition

from pay-as-you-go to individual capitalization; 5) financial sector reforms to improve intermediation efficiency; 6) labor market reforms facilitating industrial restructuring and workforce reallocation from import-competing to export-oriented sectors; 7) large-scale privatization programs; and 8) social sector reforms to optimize service delivery incentives (Bergoeing *et al.*, 2010).

To analyze the potential impacts of OCDE accession (Mexico in 1994 and Chile in 2010) on per capita GDP growth, Tables 2 and 3, taken from Vieira *et al.* (2021), present pretreatment characteristics of both countries and their synthetic control counterparts. Synthetic Mexico comprises Guatemala (47.9%), Panama (25.7%), Colombia (14.7%), and Brazil (11.7%), while Synthetic Chile's composition includes Panama (32.9%), Colombia (29.3%), Jamaica (18.9%), and Peru (18.9%). These weighted combinations were designed to closely mirror each country's economic profile before OCDE membership.

Table 3

Average values of the covariates of Chile and Synthetic Chile in the period prior to accession to the OCDE (2000-2009)

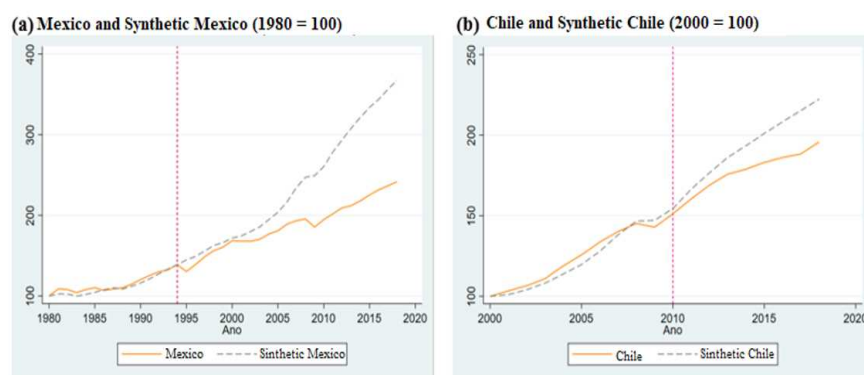
<i>Dependent Variable: per capita GDP variation index</i>		
<i>Covariates</i>	<i>Chile</i>	<i>Synthetic Chile</i>
Current account/GDP	0.79	-3.90
FDI/GDP	6.33	5.10
Reserves/GDP	0.16	0.13
Unemployment rate (1991-1993)	9.83	8.41
Consumer price index	3.33	5.11
GDP variation index	153.80	142.84
Composition of Synthetic Chile	Panama: 32.9%; Colombia: 29.3%; Jamaica: 18.9%; Peru: 18.9%	

Source: Authors' elaboration based on SCM results.

The next step in implementing the Synthetic Control Method (SCM) involves examining the evolution of per capita GDP in each country compared to its synthetic counterpart. As shown in Figure 1, the results suggest that neither Mexico nor Chile demonstrated superior per capita GDP performance following their OCDE accession.

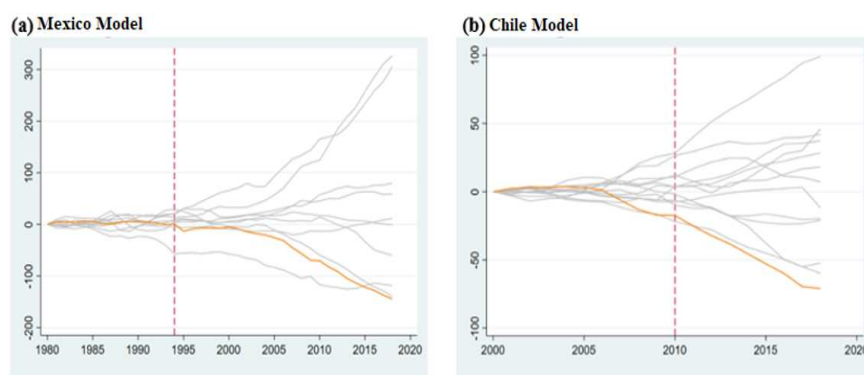
In fact, both synthetic control units (Synthetic Mexico and Synthetic Chile) exhibited better economic performance than the actual member countries during the post-accession period.

Figure 1
Evolution of the GDP per capita variation index



Source: Authors' elaboration based on SCM results.

Figure 2
Placebo test excluding donors with RMSPE three times greater than that of the treated unit



Source: Authors' elaboration based on SCM results.

The placebo tests further support these findings, as illustrated in Figure 2 and reported by Vieira *et al.* (2021). The gray lines represent the difference in per capita GDP between each donor pool

country and its synthetic version, while the orange line shows the results for Mexico in panel (a) and Chile in panel (b). The pattern indicates that if OCDE membership had been granted to countries in the donor pool (i.e., if these nations had become full OCDE members), the vast majority would have achieved higher per capita GDP growth than both Mexico and Chile.

Taken together, these results strongly suggest that OCDE accession did not produce any significant improvement in the economic performance of either country. The synthetic control analysis reveals no discernible positive impact on economic growth following membership, with both nations failing to outperform their carefully constructed counterfactuals during the post-accession period. This conclusion is further reinforced by the placebo tests, which demonstrate that most non-member countries in the region would likely have achieved better economic outcomes had they joined the OCDE under similar circumstances.

5. Conclusion

This study makes an important contribution to literature by assessing the OCDE's impact on developing countries' growth through a rigorous counterfactual analysis using the SCM. The SCM methodology constructs an optimal control unit by creating a weighted combination of comparable economies that most closely match the treated country's pre-intervention characteristics across relevant economic variables.

Our analysis of Mexico and Chile reveals two key insights: First, both nations had already implemented OCDE-style economic reforms well before formal accession—Chile beginning in the 1970s (accessing in 2010) and Mexico in the 1980s (joining in 1994). Second, and crucially, the SCM results show no evidence that OCDE membership itself provided any additional boost to per capita GDP growth in either country.

These findings may indeed temper Brazil's urgency in accelerating reforms specifically aimed at OCDE accession. However, they simultaneously highlight the value of pursuing a more balanced approach that strategically aligns Brazil's national priorities with OCDE standards, without making membership itself the primary objective.

The cases of Mexico and Chile suggest that while OCDE membership may not significantly boost per capita GDP, participation in the organization can yield substantial institutional benefits for developing nations—particularly in strengthening democratic governance, rule of

law, fiscal transparency, anti-corruption frameworks, educational outcomes, social equity, and environmental policies. Furthermore, it is worth highlighting that, rather than acting in isolation, participation in the OCDE can help member countries to jointly strengthen their international integration and promote multilateralism instead of unilateralism.

For Brazil, which has already met many OCDE requirements, the remaining challenges—such as fully implementing the 2023 tax reform, curbing Amazon deforestation, further pension system adjustments, and reducing trade protectionism—represent opportunities to advance domestic reforms that serve Brazil’s long-term development goals, regardless of the OCDE timeline. Rather than viewing accession as an end in itself, Brazil might benefit from framing OCDE alignment as part of a broader strategy to enhance its institutional credibility and global integration—one where the process of reform delivers value independent of formal membership. This approach would allow Brazil to prioritize reforms that align with both OCDE standards and its own national interests, ensuring that policy changes are sustainable and domestically legitimized rather than perceived as externally imposed conditions for accession.

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