INTER-AMERICAN DEVELOPMENT BANK

INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

Intal

Institute for the Integration
of Latin America and the Caribbean

ITD

Integration, Trade and
Hemispheric Issues Division

Achievements and Challenges of Trade Capacity Building: A Practitioner's Analysis of the CAFTA Process and its Lessons for the Multilateral System

Eric T. Miller

INTAL - ITD
Occasional Paper 32

Achievements and Challenges of Trade Capacity Building: A Practitioner's Analysis of the CAFTA Process and its Lessons for the Multilateral System

Eric T. Miller

INTAL ITD

October, 2005
Occasional Paper 32

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

Working Papers

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

Occasional Papers

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

Inter-American Development Bank
Integration and Regional Programs Department

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

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

Printed in Argentina

Institute for the Integration of Latin America and the Caribbean
Achievements and Challenges of Trade Capacity Building: A Practitioner's Analysis of the CAFTA Process and its Lessons for the Multilateral System
1ª ed. - Buenos Aires: IDB-INTAL, October 2005.
60 p.; 28 x 21 cm. (INTAL-ITD Occasional Paper 32)

ISBN 950-738-219-4

1. Desarrollo económico interamericano I. Título
CDD 338.98

US$ 5.00

Editing:
Susana Filippa

CONTENTS

KEY ACRONYMS

BCIE	Central American Bank for Economic Integration
CAFTA	United States-Central America Free Trade Agreement
CGSE	Consultative Group on Smaller Economies
DTIS	Diagnostic Trade Integration Study
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
HCP	Hemispheric Cooperation Program
IAWG	Inter-Agency Working Group (IF)
IDB	Inter-American Development Bank
IF	Integrated Framework for Trade-Related Technical Assistance
IFSC	Integrated Framework Steering Committee
IFTF	Integrated Framework Trust Fund
LDC	Least Developed Country
MIF	Multilateral Investment Fund
NGO	Non-Governmental Organization
OAS	Organization of American States
PRSP	Poverty Reduction Strategy Paper
TC	Technical Cooperation (grant)
TCB	Trade Capacity Building
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USTR	United States Trade Representative
WTO	World Trade Organization

Contents

ACHIEVEMENTS AND CHALLENGES OF TRADE CAPACITY BUILDING: A PRACTITIONER'S ANALYSIS OF THE CAFTA PROCESS AND ITS LESSONS FOR THE MULTILATERAL SYSTEM

Eric T. Miller*

I. TRADE CAPACITY BUILDING: BASIC CONCEPTS[1]

A. Towards a New Consensus

In policy circles and intellectual centers throughout the world, there is considerable debate on how to make globalization "work" for smaller, poorer, and otherwise disadvantaged countries. The challenges and potential solutions have manifested themselves in a myriad of ways, from the declarations of the Monterrey Summit on Trade and Development to policy papers on reform of the "global financial architecture". On the trade front, the World Trade Organization (WTO) launched the Doha Development Agenda in Qatar in November 2001, which sought, among other things, to give the challenges of capacity and "systemic fairness" a central role in the policy discussion. Differing levels of trade capacity and the attendant consequences have also become issues in various regional trade initiatives, particularly in the Americas. Over the past three years, trade capacity building (TCB) processes have been launched in the framework of the 34-country Free Trade Area of the Americas (FTAA) negotiations, the United States-Central America Free Trade Negotiations (CAFTA) and the United States-Andean Free Trade Negotiations. All of this intellectual and policy ferment arises from one basic supposition on the part of developing countries: while the structural reforms undertaken in many parts of the world in the 1990s were necessary for opening the road to long-term growth and development, they were not sufficient because numerous other factors ranging from institutional capacity to knowledge gaps have blocked the path forward.

Trade is one of the essential pillars of the global economy. Nevertheless, as trade, finance, investment, and production have increasing converged, "trade policy" has become the vehicle through which many "convergence" issues have been addressed. Contemporary trade agreements cover numerous "behind the border" issues (from investor-state dispute settlement to intellectual property protection) and "border administration" methodologies (such as customs valuation and administration of rules of origin) in addition to the traditional "trade in goods" issues (tariffs, quotas, and the like). As many of the "behind the border" and "border administration" disciplines, which first emerged or became binding in the 1986-94 Uruguay Round of Multilateral Trade

---

* International Trade Consultant, Integration, Trade and Hemispheric Issues Division, Inter-American Development Bank, Washington, DC. The author wishes to thank Ennio Rodriguez and Norberto Iannelli for their insights and support in the development of this paper. The author would also like to thank Robert Devlin, Peter Kalil, Jaime Granados, Brian Staples, Antoni Estevadeordal and J.D. Smith for their comments on earlier drafts of the paper. The author writes exclusively in a personal capacity.

[1] This basic concept has been alternately called Trade-Related Capacity Building, Trade-Related Technical Assistance, and Trade-Related Capacity Building/Technical Assistance. This paper uses Trade Capacity Building because it was the term used by the participants in the CAFTA process.

Negotiations, are expensive to implement and complex to administer, it is hardly surprising that scores of developing countries have felt overwhelmed and in a position of constantly having to play "catch-up". In the years following the conclusion of the Uruguay Round, the gap between obligations signed and obligations entered into force became potentially fatal for the multilateral trading system as numerous developing countries failed to fully implement the agreed obligations. This dynamic also risked creating resistance to assuming deeper obligations in new trade negotiations. Moreover, resistance arose as developing countries began to question the cost-benefit trade off in some aspects of the new disciplines. This lack of implementation also did not bode well for the FTAA and other comprehensive regional trade agreements. Slowly, there emerged a realization in the developing world, and especially in the developed one, that if the greater good of trade liberalization was to be advanced through sustainable commitments, all parties had to have the ability to full participate in the process and understand the obligations of the disciplines being negotiated and be able to implement and sustain them over time. In order to achieve this, developing countries would need capacity building assistance.

The relationship between trade and aid and their relative impacts on economic growth and poverty reduction has been a central theme in the international development debate for decades. In the 1960s and 1970's, mainstream development theory tended to view trade, particularly north-south trade, with skepticism, while aid was viewed as an essential policy tool for supporting the poor world's economic transformation by way of national industrialization processes. What technical assistance for trade there was tended to focus on facilitating the trade in a specific product or some narrow aspect of trade policy (see Devlin and Vodusek [2004]). As a whole, the prevailing approach to economic development was known as import substitution industrialization (ISI).

The ISI model, already experiencing stress, received a death blow in the early-1980s following the onset of the so-called "debt crisis" in large parts of the developing world and particularly in Latin America. With the crisis came a significant shift in mainstream development thinking. The model that came to hold the intellectual high ground was dubbed the Washington Consensus.[2] It argued that eliminating barriers to trade and other market distortions would lead to economic growth and poverty reduction, while aid tended to be viewed by many as a questionable policy instrument, associated with the seemingly failed policy approaches of the ISI period. The Washington Consensus would hold sway, largely unchallenged until the late-1990s.

While the market reform processes initiated in the late-1980s and early-1990's, brought some important initial successes (such as fiscal strengthening and an influx of foreign direct and portfolio investment), the promised period of sustained and sustainable growth in Latin America failed to materialize. By the second-half of the 1990s, softening economic performance and unrealized expectations were engendering a further evolution in mainstream development thinking. The chaos of post-Soviet Russia, persistent financial crisis in the developing world,[3] and

---

[2] The term "Washington Consensus" was coined by John Williamson in 1989 to describe emerging ideas about economic reform in Latin America. The 10 pillars of the "Consensus" were: Fiscal Discipline, Reordering Public Expenditure Priorities, Tax Reform, Liberalizing Interest Rates, Competitive Exchange Rates, Trade Liberalization, Liberalization of Inward Foreign Direct Investment, Privatization, Deregulation, and Property Rights (see Williamson [2004]).

[3] The financial crises include: Mexico (1994-1995), Argentina (1995), East Asia (1997-1998), Russia (1998), Brazil (1999), Ecuador (1999-2000) and Argentina (2001-2002).

the aforementioned post-Uruguay Round implementation challenges contributed significantly to this process. More focus is placed on institutions, public and private, seen to have an essential role if the market is to function properly. Therefore, the development agenda should focus significantly on strengthening the capacity and effectiveness of "market-supporting institutions".[4] As for international trade, a liberal policy can be seen as necessary but not sufficient for achieving the objectives of economic growth and poverty reduction. If countries are to effectively prepare for, negotiate, implement and adjust to an open trade regime, they need to strengthen, both on their own and with the assistance of donors, the capacity of their "trade-supporting institutions". With this recognition, the concept of trade capacity building has taken a central place on both the trade and international development agenda.

This paper will be divided into five sections. First, it will examine what is meant by trade capacity building and why it matters. Second, the paper will review the experience of the Integrated Framework (IF), the principal TCB initiative at the WTO level. Third, it will examine in detail the actual functioning of a TCB process from the start of the negotiating process through the signing of the agreement, namely the TCB process linked to the United States-Central America Free Trade negotiations. Fourth, the paper will derive conclusions and offer lessons from the evolution, challenges and successes of the CAFTA and IF processes. Finally, the paper will include an initial approach for re-vitalizing and expanding the multilateral TCB process.

B. What is Trade Capacity Building?

While there is no universally accepted definition of what constitutes Trade Capacity Building, one could define TCB as: assistance for implementing and/or strengthening processes and institutions that enable developing countries to more fully and effectively prepare for and negotiate comprehensive trade agreements, implement the commitments undertaken in these agreements, and adjust to the new circumstances in such a way that they minimize the potential negative impacts and maximize the potential benefits of such agreements.

The negotiation and implementation phases are relatively straightforward: a country either does or does not have the capacity to effectively undertake action x in area y. The pre-negotiation phase and the final phase, the latter of which involves adjustment to new realities under free trade, are rather less definitive. In the pre-negotiation phase, a country sets forth its broad vision of trade in the national economic development process and its approach for realizing these objectives in a trade capacity building strategy. The final phase is complicated because trade capacity matters mesh with fundamental issues of economic development, social policy, competitiveness, export readiness and property rights. Table 1 presents a non-exhaustive list of issues addressed at each stage.

---

[4] While the recognition in mainstream development thinking of the importance of institutions arguably first emerged in the 1997 World Bank World Development Report entitled *The State in a Changing World*, the recognition of the indispensability of effective "market-supporting institutions" reached its full flowering in the 2002 World Development Report entitled *Building Institutions for Development*.

TABLE 1
WHAT MIGHT TRADE CAPACITY BUILDING INCLUDE?

Pre-Negotiation Phase

TCB Strategy Preparation: Supporting countries in developing and refining a National Trade Capacity Building Strategy that sets forth country needs in preparing for, negotiating, implementing and effectively adjusting to regional and multilateral trade agreements and is consistent with broader national development objectives and strategies.

Training in Negotiating Trade Agreements: Assisting countries with understanding the mechanics of trade negotiations and in developing skills to undertake them effectively.

Training in Trade Disciplines: Aiding countries with understanding the core disciplines associated with contemporary regional trade agreements and the World Trade Organization Agreements.

Scenario Development: Undertaking an assessment on behalf of countries or aiding them in the process of developing quantitative and qualitative scenarios to assess the probable outcome of certain trade negotiations.

Negotiation Phase

Institutional Capacity: Strengthening the ability of national and/or regional institutions to fully and effectively perform their prescribed role in trade negotiations.

Technical Negotiating Issues: Supporting countries efforts to fully understand and evaluate all issues under negotiation.

Inter-Institutional Coordination: Enhance mechanisms for effective coordination among public sector entities of the executive branch, with the legislative branch and with the private sector on issues under negotiation.

Civil Society/Public Consultation: Assisting countries, where appropriate, with the strengthening of mechanisms for public outreach.

Implementation Phase

Policy/Regulatory Reform: Supporting countries in the implementation of policy, regulatory, and legal changes required by the agreement.

Institutional Reform: Aiding countries with overhauling their trade-related institutions for the purpose of effectively implementing, complying with, and utilizing the commitments, procedures and instruments negotiated in the agreement.

Trade-Related Scientific/Technical Capabilities: Establishing and/or strengthening the trade-related scientific/technical capabilities of countries. This could include everything from training technicians in required procedures to acquiring testing equipment to upgrading laboratories.

Trade training for public and private sectors: Training public officials, including at the sub-federal level, as to the content of the negotiated agreement, how provisions are to be implemented, and their impacts on broader policy-making approaches. Private sector training would seek to educate firms about the new rules, procedures, requirements and opportunities arising from the agreement.

Adjustment Phase

Export promotion and investment attraction programs: Helping countries to increase exports and attract investment in the context of trade liberalization and to use the free trade agreement as a tool to achieve these ends.

Trade-related infrastructure development: Upgrading ports, airports, and transport corridors through which goods move.

Trade-related information technology development: Establishing or upgrading telecommunications and computer networks related to trade. This includes systems used by governments and firms to track goods as well as networks and systems used in trade in services.

Trade-related fiscal reform: Helping countries to identify alternatives to tariff revenues lost by liberalization and to convert their tax systems to post-tariff methodologies, and to make tax regimes trade friendly.

Trade adjustment assistance/Labor re-training issues: Aiding countries in the design and implementation of assistance to and adjustment for the losers from the agreement.

Outreach: Assisting countries and groups within the society to understand the implications of free trade and to assist firms and works to become more productive and competitive.

Small business development: Supporting small firms with an emphasis on upgrading their competitiveness and assisting them to export.

Rural/Agricultural development: Aiding in the extension of the benefits of free trade to rural areas. This may include helping farmers to upgrade their production practices and to shift to higher-value crops.

Governance reform and coordination issues: Helping countries to reform their institutional structure so as to strengthen the ability of institutions to respond in an effective and coordinated fashion to the potential challenges of free trade.

Property Rights: Assisting countries in strengthening their knowledge and infrastructure for granting and enforcing property rights, including the formalization of firms/land titling, procedures for the establishment of foreign manufacturers and service providers (inward foreign direct investment), and special issues pertaining to the development of extractive industries (such as the structure of concession contracts, formulas for royalties, etc).

When applied appropriately, the ethos of trade capacity building focuses on aiding recipient countries in a manner that will allow them to subsequently be able to carry out their trade-related activities in a reasonably effective manner, maximizing benefits and managing costs. This means that donors have a supporting role and must eschew the temptation to "do the work" of completing trade policy tasks for the country.

Trade capacity building aid is generally disbursed through two types of instruments. The first is technical assistance. The providers of assistance may be consultants, institutes, NGOs, countries, or international organizations. The most common delivery vehicles include training sessions, workshops, studies, and "embedded" consultancies within institutions. The objectives of technical assistance are either: (i) to transfer technical knowledge on a trade specific topic or process; or (ii) to provide strategic advice policy issues and/or explain inter-relationships with broader trade and economic/social issues. The key obstacle to be overcome is a lack of knowledge, whether technical or systematic. If capacity is built, the recipient will presumably be better equipped to negotiate and apply rules and methodologies once the training, study or consultancy is completed.

The second type of instrument through which TCB is disbursed is financial assistance. This can be done through either loans or grants from international financial institutions, countries or private donors. The key obstacle to be overcome is a lack of "investment capital" dedicated to strengthening the functioning of trade-supporting institutions. This type of assistance will allow institutions to better perform their functions in the trade system. Investments may include, *inter alia*, procuring expert technical assistance to assist in applying a particular process or procedure, trade infrastructure modernization, adoption of internationally accepted methodologies, upgrading information technology systems, and civil society outreach programs.

The first step for countries seeking to address their trade capacity challenges in a systematic fashion is the evaluation of TCB needs. TCB strategies may be prepared with a view to subsequent incorporation into national development documents or as stand-alone instruments whose content is consistent with the approaches set forth such broader policy documents. In either case, there must be policy coherence between TCB strategies and national development strategies. In addition to the inherent desirability of such an end, as will be discussed below, Trade Ministries must involve and achieve the buy-in of their Ministries of Finance (or Planning) if implementation of a TCB strategy is ever to get off the ground.

C. Why is TCB Important?

The importance of trade capacity building arises from three inter-related imperatives: the practical imperative, the political imperative, and the systemic imperative. *The practical imperative* is perhaps the most straightforward of these: countries really do need help in more effectively defining a trade strategy, preparing for and negotiating multilateral and regional trade agreements, implementing the resulting commitments and adjusting to new post-free trade realities. These necessities are compounded by the significant expansion in recent decades in the scope and level of complexity of the issues covered in such trade agreements.

The political imperative for trade capacity building arises because governments of smaller and poorer countries must be able to feel that they are not alone in undertaking a complex and expensive liberalization process. International donors, both governmental (such as Canada or the United States) and institutional (such as the Inter-American Development Bank and the World Bank), are partners in this process. This support manifests itself through the provision of both financial and expert non-financial assistance that responds to countries' needs. A key factor that shifts TCB from being merely desirable to being in fact vital is that various constituencies, including the private sector and NGOs, need to feel that the country can effectively prepare for, negotiate, implement, and adjust to the agreement if it is to be politically viable and sustainable.[5]

The systemic imperative stems from the assumption that, if the world trading system is to be strong and healthy, all parties must have at least a basic ability to participate in its deliberations at both the multilateral and regional levels and implement the resulting decisions in a complete and timely fashion. Most contemporary trade agreements are negotiated on the principle of the "single undertaking" (all disciplines form part of a single package to be implemented in its entirety) and contain intricate balances of concessions among the parties across the entire agreement. Therefore, the non-implementation of certain measures threatens the integrity and stability of the entire trade regime. As noted above, the years after the Uruguay Round have been fraught with conflict over implementation issues due to the significant rate of non-fulfillment by developing countries. In order to safeguard the multilateral trading system and to advance the geographic frontiers and scope of regional trade agreements, TCB is essential. Put another way, TCB can serve as a sort of safeguard against countries' unilaterally reneging on negotiated commitments under the guise of "lack of capacity".

[5] Capacity building can also be viewed as a negotiating tool by the stronger party; by developing capacity in a weaker partner the latter has less space to resist disciplines on the basis of an inability to assume them.

II. THE MULTILATERAL EXPERIENCE

Contents

A. Aftermath of the Uruguay Round

As mentioned, the Uruguay Round fundamentally transformed the world trading system. Many of the changes created the fundamental need for trade capacity building measures that we see today. First, the number of countries adhering to the GATT, the predecessor of the WTO, grew from 93 at the start of the Round to 128 on the eve of its implementation. Not surprisingly, virtually all new 'Contracting Parties' came from the developing world, and many of them had weak trade-supporting institutions. Today, membership exceeds 140 with the vast majority of members being developing countries.

Second, the breadth and depth of legally binding disciplines that countries were required to implement and adhere to increased significantly. Voluntary GATT "codes" applied by mainly developed countries, such as those pertaining to customs valuation[6] and technical barriers to trade, were transformed into full-fledged agreements. In addition, the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) expanded the scope of multilateral trade rules into wholly new areas. The entire package was knit together by the "single undertaking" principle that made opting out impossible if a country desired to benefit from even the most basic of market access provisions.

Third, the Uruguay Round resulted in the institutional transformation of the world trading system. It transformed the GATT, which was a contract among nations, into the WTO, which has the status of an international organization. A central difference between the pre- and post-Uruguay Round structures is in the area of dispute settlement. The GATT system was voluntary and granted countries the ability to block the issuance of decisions. The WTO mechanism, which consists of Panels and the Appellate Body, can issue binding decisions. While this for the first time offered developing countries the possibility of forcing a developed country to change an offending measure, it also opened them to unprecedented vulnerabilities (see Lacarte and Granados [2005]).

The Uruguay Round Agreements and Decisions contained numerous special and differential treatment provisions. In addition to provisions allowing developing countries time-limited derogations, longer implementation periods, differentiated thresholds, and flexibility in implementation of commitments in a number of specific areas, the Agreements and Decisions made a number of specific references to the need for and desirability of technical assistance.[7] The nature of the technical assistance focused principally on training and implementation assistance. Where references are made to financial assistance, members are encouraged to work with each other in an ad hoc fashion to develop a mutually agreeable program. No formal mechanism is

---

[6] The Uruguay Round agreement on customs valuation is legally called the *Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994*.

[7] Technical assistance provisions are set forth in Art. 20.3 and Annex III.5 of the Agreement on Customs Valuation; Art. 3.3 of the Agreement on Pre-Shipment Inspection; Arts. 1.3, 11.2, 11.4, 11.5, 11.6, 11.7, and 12.7 of the Agreement of Technical Barriers to Trade; Arts. 9.1, 9.2, and 10.4 of the Agreement on Sanitary and Phytosanitary Measures; Arts. 27.2 and 27.3 of the Dispute Settlement Understanding; Arts. IV:2, XV, and Annex on Telecoms: 6 of GATS; Art. 67 of TRIPS and in the Ministerial Decisions on Measures in Favor of LDCs, Minimum Values and Imports by Sole Agents, and the Possible Negative Effects on Least Developed and Net Food-Importing Countries.

established to facilitate the flow of such assistance and there is no specific binding obligation on any member to respond to these exhortations to provide assistance ("best efforts"). There was little notion of the broader concept of trade capacity building included in the myriad of provisions.

The Uruguay Round Agreements and Decisions opened a significant contradiction in the world trading system as it related to the developing world. The great expansion in the depth, breadth and complexity of the rules governing the world trading system and their geographic reach was not accompanied by a similarly far-reaching methodology for facilitating the implementation of and compliance with this new regime. The costs of liberalization fell disproportionately on developing countries and new members as they had relatively higher base levels of protection and a much weaker institutional setting for addressing issues beyond the basics of trade in goods.[8] The problems stemming from a lack of a transition mechanism became evident almost from the moment the Agreements and Decisions entered into force on January 1, 1995, as developing countries were unable or unwilling to implement some of the commitments undertaken during the Round. It has been widely debated whether these implementation challenges have arisen primarily from reasons of policy or lack of capacity. In certain cases, it was undoubtedly a combination of both. However, in the vast majority of cases, the implementation difficulties faced by developing countries stemmed clearly from a lack of capacity.

Recognizing this challenge, the Ministers made a number of commitments at the first Ministerial Conference of the WTO, held in Singapore in December 1996. In Paragraph 10 related to "Developing Countries", they acknowledged: *(...) the fact that developing country Members have undertaken significant new commitments, both substantive and procedural, and we recognize the range and complexity of the efforts that they are making to comply with them. In order to assist them in these efforts, including those with respect to notification and legislative requirements, we will improve the availability of technical assistance under the agreed guidelines.*[9]

By "agreed guidelines", the Ministers were referring to the specific provisions in the Uruguay Round Agreements on technical assistance. No comprehensive plan on how to improve the availability of technical assistance to developing countries was adopted.

In Paragraph 11, related specifically to "Least-Developed Countries" (LDCs), the Ministers committed the WTO to organizing: *(...) a meeting with UNCTAD and the International Trade Centre as soon as possible in 1997, with the participation of aid agencies, multilateral financial institutions and least-developed countries to foster an integrated approach to assisting these countries in enhancing their trading opportunities.*

---

[8] After the Uruguay Round, many developing countries, even long-time GATT members, had to establish specialized agencies responsible for certain "behind the border" issues. In addition, existing officials and agencies had to learn how to properly apply new methodologies and standards. Such institutional upgrading can be very expensive. For example, the Government of Jamaica has estimated that implementation of the TRIPS, SPS and Customs Valuation agreements, not including desirable related investments in strengthening customs and standards institutions, would cost some US$ 10 million (see Hoekman, Mattoo and English [2002]).

[9] Singapore Ministerial Declaration, Adopted on December 13, 1996. *http://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm.*

The issues to be addressed at this meeting went beyond the challenges of assisting in the implementation of WTO obligations. They would go to the heart of the constraints on least-developed countries in seeking to participate in and benefit from an open international trading system[10]

B. The Integrated Framework

On October 27-28, 1997, the mandated High-Level Meeting on Least Developed Countries was held in Geneva. It brought together WTO, World Bank, International Monetary Fund (IMF), International Trade Centre (ITC), United Nations Development Program (UNDP), and United Nations Conference on Trade and Development (UNCTAD) to inaugurate the Integrated Framework for Trade-Related Technical Assistance (IF). These six core agencies envisioned that the IF would be a mechanism for ensuring that "the trade related assistance needs of each country are included in the dialogue between Governments and their development partners on the overall development policy to be implemented in each country". In this regard, the Integrated Framework had two specific objectives:

1. "mainstream" or integrate trade fully into the national development plans of participating countries, including poverty reduction components, as set forth in the World Bank Poverty Reduction Strategy Papers (PRSPs); and

2. assist in the coordination and delivery of trade-related assistance as provided by each of the core agencies in their specific field of competence and by other development partners.[11]

With respect to financing, the original vision called for each of the six core agencies to finance IF activities "from its existing resources – or, as necessary (…) (from) those trade-related technical assistance programmes for which it is responsible". Financing could also be mobilized "through bilateral and multilateral channels, including from both traditional and non-traditional sources".[12]

---

[10] The only mechanism to address the challenges of LDCs that was in the process of being developed prior to Singapore was the *Joint Integrated Technical Assistance Programme for Selected Least-Developed and Other African Countries* (JITAP). In October 1994, only months after the conclusion of the Uruguay Round negotiations, African Ministers of Trade, meeting in Tunis, adopted a *Framework for the Implementation of the Uruguay Round Agreements by African Countries*. The Framework was significantly concerned with identifying capacity building needs that, if addressed, would facilitate the participation of these countries in the WTO framework, aid in the implementation the Uruguay Round Agreements and promote exports. In May 1996, at UNCTAD IX the heads of the Geneva-based trade institutions, UNCTAD, WTO and ITC, announced their commitment to assisting African countries in addressing the needs set forth in the Framework. As its name implies, JITAP was conceived as being limited in scope. Initially, it would focus on 8 African countries. To enhance sustainability, the Geneva institutions would emphasize human resource development, institutional capacity building and strengthening export capabilities. In March 1998, JITAP was formalized and given its current form. The *Common Trust Fund* was also established to support the initiative. The Trust Fund received pledges from 13 countries totaling US$8.2 million. In 1999, the three institutions delivered some US$3 million in activities. To date, some US$10 million has been dispersed for programs under JITAP. In December 2002, the JITAP stakeholders met to endorse the extension of the program through 2006 and its expansion to cover 8 additional countries. For an overview of the evolution of JITAP and a comparison with the IF, see Luke [2002]. For official information on JITAP, see: *http://www.jitap.org.*

[11] See Working Together to Enable LDCs to be Active Players and Beneficiaries of the Global Trading System: The Integrated Framework Explained. Briefing document prepared by the IF core agencies. Undated.

[12] See "WT/COMTD/12", the Report of the Meeting, available on the WTO website: *http://www.wto.org.*

From the outset, the IF has been envisioned as a holistic process. The "mainstreaming" of trade into the national development agenda acknowledges and highlights the obvious inter-relationship between trade policy and macroeconomic policy, human capital, and a myriad of other factors in the development process. This approach is reflected in the fact that structurally, the IF focuses primarily on the impact and proper role of trade in economic development processes ("making trade work for development") rather than facilitating the expansion of trade as an end in itself.

Although the IF originated with a WTO mandate, it has never been formally linked to or driven by WTO negotiating processes. The six core institutions were to manage and advance the IF based on their own timetables and methodologies, in consultation with the beneficiary countries. A negotiating round was not underway at the time of the High-Level Meeting, and the immediate TCB challenges pertained to assimilating the results of just-completed Uruguay Round. Therefore, the IF was designed to work comprehensively to address these needs rather than to agilely respond to the ever-evolving needs of a negotiating round.

The great expectations surrounding the launch of the IF soon turned to disappointment on the part of both countries and donors. No diagnostic documents were prepared in the first years. Donors offered few funds to address the TCB challenges. Little tangible occurred to mitigate the trade challenges faced by developing countries. In short, the IF was not fully responding to the practical, political, and systemic imperatives. Recognizing the fact that the IF was not meeting its objectives, in November 1999, a week before the now infamous Seattle WTO Ministerial meeting, the Inter-Agency Working Group (IAWG), the management committee of the six donors overseeing the process, ordered the preparation of a report that would review the progress of the IF to date and make recommendations.[13]

While the specific shortcomings of the IF were not at the forefront, the capacity divide between developed and developing countries and the limited ability of the latter to benefit from the trading system exploded like a bomb in Seattle. Developing countries argued that the Uruguay Round had been weighted significantly in favor of the interests of the developed world. Therefore, if the Seattle Ministerial was to launch new multilateral trade talks, they should take the form of a "development round". The developed countries, by contrast, were advocating the launch of a "millennium round" which would include negotiations on new disciplines such as investment, competition policy, electronic commerce, trade facilitation and labor and environmental issues to accompany the "built-in" talks to deepen the General Agreement on Trade in Services that were due to begin on January 1, 2000. The relationship between developing world's opposition to a "millennium round" agenda and a lack of a functioning capacity building mechanism was articulated by Ghanaian Trade and Industry Minister John Abu:

> *To take on new issues that are more complex and require further capacities from African countries is something that worries us. We don't like to tell our colleagues in the developed countries that we won't accept a new round. But we have to be informed how we will be supported to address the new issues that are going to crop up*. (Quoted in Michael Fleshman [1999] p.1)

---

[13] See "WT/COMTD/LDC/6", available on the WTO website: *http://www.wto.org*.

Ultimately, the questions about expanding the agenda and capacity building were not answered at Seattle. The Ministerial Conference ended in such disarray that no final Declaration was ever even issued. The acrimonious dissolution of the meeting underscored the urgency of finding new ways to close the capacity divide and to make nascent mechanisms like the IF more relevant to the immediate needs of countries. Otherwise, the whole system risked coming undone.

The Report of the Review of the Integrated Framework was completed and approved in June 2000. After summarizing the objectives of the IF, it laid out six reasons for their non-fulfillment.

> *The principal issues associated with this outcome are: (a) different perceptions regarding the objectives of the IF between LDCs and donors: LDCs expected additional funding; donors expected the IF to realize greater efficiency and effectiveness by coordinating trade-related TA; (b) on the whole, IF processes did not lead to a prioritization of TA needs, and there was no link to the overall development assistance architecture; (c) the IF was not sufficiently demand driven in the minds of LDC officials; (d) governance and administration were weak since they depended on management by committee without clear responsibility assigned to any single entity; (e) coordination was found more complex than anticipated between the LDCs and donors, among donors, and between the six agencies themselves; (f) the IF has been a generally "unfunded mandate," with varying degrees of priority being given to the IF by different donors and agencies.*[14]

The June 2000 review led to a revamped structure. The Integrated Framework Steering Committee (IFSC), consisting of representatives from least-developed countries, the six core agencies, and donors, was established to provide overall direction to the process. The IAWG was expanded to provide better day-to-day management.

The steps for moving toward the mobilization of TCB resources were also clarified. The process would be divided into three basic stages:

1. Preparatory Phase: the government makes an official request, establishes a national Steering Committee, and selects a Lead (donor) Facilitator. In doing so, the government needs to organize itself internally by identifying:

a) Local experts on trade issues;

b) The main stakeholders who need to be consulted (government, private sector, civil society, academia);

c) Current pertinent research and analysis (such as WTO Trade Policy Reviews, Investment Policy Reviews, Country Assistance Strategies);

d) Ongoing or recently completed trade capacity building programs in the country (organized by donor and type of program).

[14] See "WT/LDC/SWG/IF/1", available on the Integrated Framework website: *http://www.integratedframework.org /files/docs/SWG-IF1.pdf.*

2. Diagnostic Phase: preparation of a Diagnostic Trade Integration Study (DTIS) by a team of local and international experts. The government and the Facilitator first agree on a timetable and terms of reference for the DTIS. The DTIS is then prepared on this basis. It identifies, inter alia,

a) Sectors of export potential;

b) Supply-side constraints to trade;

c) Human and institutional capacity constraints;

d) Measures to be taken to implement and apply multilateral and regional trade agreements;

e) Implications of analysis and recommendations on growth and poverty reduction.

3. Follow-up Phase: preparation of an Action Matrix (as part of the DTIS) that can be incorporated into the country's national development plan. The *Matrix* (also called an Action Plan) sets forth the main policy reform measures, sectoral plans, and technical assistance needs emanating from the DTIS. The country will convene a National Workshop with stakeholders to discuss and prioritize the Matrix and to define a way forward. Upon completion of this consultation process, the prioritized Action Matrix is incorporated into the country's national development plans, such as its PRSP.[15] Resources to implement the identified measures come from established programming processes and the IF Trust Fund (see below).

In May 2001, over three-and-a-half years after the High-level Meeting, the "IF-2" finally got off the ground. Implementation began on a pilot basis in Cambodia, Madagascar, and Mauritania. Each of the three governments prepared a DTIS, with significant support from the World Bank. By February 2005, the process had been expanded to 24 countries. At the time of writing, DTIS documents had been completed by the original three countries as well as by Burundi, Djibouti, Ethiopia, Guinea, Lesotho, Malawi, Mali, Mozambique, Nepal, Senegal, and Yemen.[16]

Financing has been a difficult issue for the IF from the beginning. In recognizing these structural impediments, in February 2001, the IF Steering Committee agreed to establish the Integrated Framework Trust Fund (IFTF) to provide a central point of deposit for contributions to TCB activities. Managed by UNDP, the IFTF would be eligible to receive contributions not only from the six core agencies, but also from governments and NGO's. Contributions may either go into a general fund for diagnostic studies and mainstreaming of trade (Window 1) or be earmarked for a specific capacity-building program that responds to an identified need of a country (Window 2). To date, 14 countries, the European Commission, the World Bank, and UNDP have pledged US$19.4 million. The contributions are roughly evenly divided between Window 1 and Window

---

[15] The priorities identified in the Action Matrix are also incorporated into the country's Poverty Reduction Strategy Paper (PRSP) (see *http://poverty.worldbank.org/prsp/* to review these documents). See the IF website, *http://www.integratedframework.org*, and Working Together for a detailed description of the process.

[16] The remaining countries that have commenced work but have yet to complete their DITS are: Angola, Benin, Burkina Faso, Chad, Laos, Rwanda, Sao Tomé & Principe, Tanzania, Uganda, and Zambia. The DTIS methodology has also been successful enough to encourage certain non-LDC developing countries to prepare such documents. A DTIS or some variation thereof has been completed or is in progress for Armenia, Azerbaijan, Bangladesh, Botswana, the Caribbean (regional), Dominican Republic, Georgia, Indonesia, Kenya, Kyrgyz Republic, Moldova, Mongolia, Nigeria, Pakistan, Tajikistan, and Ukraine.

2. On the expenditure side, 100% of the US$ 9.2 million under the IFTF Window 1 facility was allocated between 2001 and 2003. According to UNDP financial reports, the funds were spent on assisting countries in preparing their DTIS documents. With respect to Window 2, the most recent publicly available figures indicate that only US$2.1 million has been disbursed for capacity building projects.[17]

In analyzing the success of the IFTF, it is important to keep in mind that it is only one trust fund among a number of others. In July 1999, the WTO Secretariat established the Global Trust Fund to provide a vehicle through which members could make extra-budgetary contributions to TCB. In November 2001, developed and developing world found enough common ground to launch a new "round", which was termed the Doha Development Agenda. The Ministerial Declaration reflected many of the concerns expressed by developing countries in Seattle.[18] The General Council, acting shortly after the Ministerial, established the Doha Development Agenda Trust Fund to help ensure the ability of certain WTO members to fully participate in the negotiations. In addition, there is the Common Trust Fund associated with the JITAP process for certain African LDCs (see fn.11 above). The International Trade Centre also has a TCB trust fund.

Paragraph 39 of the Doha Declaration calls for greater coordination among the various sources and instruments providing TCB assistance. Accordingly, in November 2002, the WTO and the Organization for Economic Cooperation and Development (OECD) launched the Trade Capacity Building Database (TCBDB). The contributions to the WTO, ITC, IF, and JITAP TCB trust funds have grown from US$ 26 million in 2001 to US$ 36 million in 2002 to US$ 45 million in 2003. The IFTF has garnered, on average, some 14% of total contributions to multilateral TCB trust funds during the 2001-2003 period (see Joint WTO/OECD [2004]).

As has been noted, the IF is structured in such a way that the TCB needs identified in the DTIS are to be financed principally through the established programming channels of the core institutions. There is no publicly available information as to the status of this process. However, anecdotal evidence suggests that further progress could be made in terms of actual project outputs. Where the IF process has had notable success is with respect to countries incorporating the needs in their Action Matrices into their PRSPs and development strategies.

As the IF-2 was taking flight, a distinctive methodology for TCB was being born in the Americas. This model arose out of the regional and sub-regional trade negotiations processes in the Western Hemisphere and would go farther, deeper, and faster than had ever been attempted. This experience may offer lessons for how to bring more life to the multilateral trade capacity building process.

---

[17] For information on the progress and operation of the IFTF and the financial reports prepared to date, see the IF webpage: *http://www.integratedframework.org/trustfund.htm.*

[18] The Doha Ministerial Declaration includes provisions on Small Economies (Article 35); Trade, Debt and Finance (Article 36); Trade and Transfer of Technology (Article 37); Technical Cooperation and Capacity Building (Article 38-41); Least-Developed Countries (Article 42-43); and Special and Differential Treatment (Article 44). In addition, certain new issues, such as Investment and Competition Policy, which the Ministers agreed to study were accompanied by an explicit recognition of the need for technical assistance for developing countries if negotiations in these areas are launched. See the Doha Ministerial Declaration at: *http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm*.

Contents

III. A NEW APPROACH IN THE AMERICAS

A. Birth of a Methodology: The HCP

The western hemispheric trade liberalization process began with an agreement among 34 countries at the I Summit of the Americas in Miami in 1994 to negotiate a Free Trade Area of the Americas. The countries participating in the FTAA ranged from the United States, Canada and Brazil on one end of the scale to Belize, Bolivia and St. Lucia on the other. Accordingly, the issue of how to appropriately address the differences in the levels of development and size of economies was present from the outset. When, in mid-1995, the Ministers of Trade set up Working Groups to begin developing modalities for negotiating the principal areas of the agreement (including market access, agriculture and services), they mandated the creation of a Working Group on Smaller Economies to place the issue of asymmetries at the forefront. When the FTAA negotiations were officially launched in April 1998, a Consultative Group on Smaller Economies (CGSE) was established along with nine Negotiating Groups covering the substantive areas of the eventual agreement.

While it was very important that the Ministers of Trade agreed to "take into account" differences in the levels of development of sizes of economies, the key question was how they would specifically do this in the final agreement. Longer phase-out periods for tariffs and implementation periods for certain complex disciplines were at the forefront of these discussions. Such approaches implied that there would eventually be full reciprocity in terms of the application of rules and disciplines. However, delayed adherence would do little to actively aid and facilitate the building of sufficient institutional and commercial capacity to allow countries to implement and benefit from a fully reciprocal trade agreement. Meeting in Managua, Nicaragua in September 2001, the Trade Negotiations Committee (TNC) – comprised of the FTAA Vice-Ministers of Trade – first recognized, albeit rather tepidly, the existence of certain knowledge, institutional and supply-side constraints faced by the smaller and poorer FTAA countries. In addressing these challenges, the Vice-Ministers endorsed the possibility of establishing a Hemispheric Cooperation Program (HCP). In a document entitled Guidelines or Directives for the Treatment of the Differences in the Levels of Development and Size of Economies, they stated, under the heading of Complementary Supporting Measures, that: *(…) measures to address the treatment of the differences in the levels of development and size of the economies (…) could include:*

1. A Hemispheric Cooperation Program, for the purpose of which the (CGSE) is instructed to draft a proposal to the TNC based on contributions from the Negotiating Groups.

2. Technical Assistance and training during the negotiations and the implementation process.[19]

The FTAA process already had a prototype of sorts for the HCP. At the Toronto Ministerial in November 1999, the FTAA Ministers mandated the implementation of 8 "customs-related business facilitation measures".[20] These measures were approved in response to a mandate in the 1994

---

[19] See FTAA.TNC/18 at*: http://www.ftaa-alca.org/TNC/tn18_e.asp.*

[20] The measures pertained to (1) Temporary Importation; (2) Express Shipments; (3) Simplified procedures for low-value shipments; (4) Compatible Electronic Data Exchange/Common Data Elements; (5) Adoption of HS 1996; (6) Transparency/Customs Information Dissemination; (7) Codes of Conduct for Customs Officials; and (8) Risk Analysis/Targeting Methodology. For the mandate and a detailed description see the Toronto Ministerial Declaration at: *http://www.ftaa-alca.org/Ministerials/Toronto/Toronto_e.asp.*

Summit Declaration that the FTAA make "concrete progress by the year 2000". In the months after Toronto, many countries expressed concerns about their ability to fully implement the eight measures. Accordingly, the TNC asked the Inter-American Development Bank (IDB) to explore ways to provide assistance to countries in implementing the measures. The IDB, through its Integration and Regional Programs Department, did so by approaching the Multilateral Investment Fund (MIF) to develop a project that responded to these needs. Established in 1993, the MIF is a stand-alone institution within the IDB Group with a mandate to finance innovative projects in Latin America and the Caribbean that benefit the private sector. The resources provided by MIF are non-reimbursable (i.e., grants), however, beneficiaries are mandated to provide a relatively modest counterpart contribution. Although the MIF had no experience with trade projects, after months of work (including defining how it fit into the its mandate), the MIF approved the project entitled Customs Measures for Facilitating International Business in August 2000 to support implementation of the measures.[21] MIF provided US$ 3 million dollars, and the beneficiary countries would provide resources based on their level of development and the amount of resources sought. The project financed a coordinator, assistance for evaluating needs, implementation assistance and a post-project evaluation/audit. During its years of operation, the project financed over 30 implementation initiatives across all of the measures, thereby resulting in almost full application of the measures to hemisphere-wide. The project concluded in December 2004.

The CGSE took up the Managua mandate and worked for the next year, both internally and with negotiating groups, on developing the parameters of the HCP. FTAA Ministers of Trade endorsed the final output of this process at their November 2002 meeting in Quito, Ecuador. Annex III of the Ministerial Declaration established the HCP, including its principles, objectives, characteristics, modalities, administration guidelines, and financing. The Ministers mandated the implementation of the HCP in paragraph 18 of the Declaration:

> *18. In support of the FTAA, we approve the Hemispheric Cooperation Program as a priority of all our governments. The Program is intended to strengthen the capacities of those countries seeking assistance to participate in the negotiations, implement their trade commitments, and address the challenges and maximize the benefits of hemispheric integration, including productive capacity and competitiveness in the region. We note that the Program includes a mechanism to assist these countries to develop national and/or sub-regional trade capacity building strategies that define, prioritize and articulate their needs and programs pursuant to those strategies, and to identify sources of financial and non-financial support. We instruct the TNC, with the support of the CGSE, to supervise the HCP. We commit to complete national and/or sub-regional trade capacity building strategies and the related programs in order to make expeditious progress under the HCP, and to assist in the identification of predictable and multifaceted sources of financial and non-financial support for meeting the objectives of the HCP. While these strategies are being prepared, the HCP will also respond to immediate assistance needs for the purpose of strengthening the participation of countries in the negotiations. We further instruct the TNC, with the support of the Tripartite Committee, to facilitate meetings of the CGSE, inviting appropriate development and financial officials, international*

---

[21] See the project document at *http://www.iadb.org/exr/doc98/apr/lcreg.htm.*

financial institutions, international agencies, and interested private entities, to discuss financing and implementation of the HCP and to report to us at our next meeting.[22]

The Tripartite Committee institutions, the IDB, the Organization of the American States (OAS) and the UN Economic Commission for Latin America and the Caribbean (ECLAC), which played a key intellectual role in formulating the structure of the HCP, are called upon to assist with its implementation.[23] In addition, the three institutions (especially the IDB) would be called upon to provide significant financial resources to respond to the TCB needs identified by the countries. In the months after Managua, the Tripartite Committee provided advice to the Chair of the CGSE, the Chair of the FTAA process and other actors in the development of the HCP. This included but was not limited to the preparation of information documents, "non-papers" and other informal suggestions on the possible parameters of the HCP. Through a dynamic process, the Tripartite Committee, the countries, the Chair of the CGSE and the Chair of the TNC put together the HCP and its methodology, as it would be approved in Annex III of the Quito Declaration.[24]

B. Applying the Methodology: CAFTA

By the summer of 2002, FTAA countries had agreed upon most aspects of the HCP, as it would be announced at Quito. While the CGSE was not yet ready to present a document for the review of Vice Ministers, the intellectual framework was in place. Ironically, the first countries to apply the HCP methodology in practice did so in the context of a bilateral negotiation. During that same summer of 2002, the United States agreed to negotiate a bilateral free trade agreement with the five members of the Central American Common Market: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; this agreement would come to be known as CAFTA. From the very initial discussions about the possibility of a CAFTA, the Central American countries had expressed concerns about the asymmetries between their economies and that of the United States. They argued strongly that they would need assistance if they were to be able to successfully negotiate, apply and take advantage of the CAFTA. This was not only true in terms of existing knowledge and capacity (the practical imperative), but in terms of managing and selling the agreement at home (the political imperative). For its part, the US recognized these challenges and sought to guard against the non-application of negotiated obligations (the systemic imperative). Given that the CAFTA negotiations would be completed well before the FTAA's 2005 deadline, the parties agreed to "road test" the prospective HCP methodology in their bilateral process. Hence the CAFTA "Integral Cooperation Agenda" was born. While it took as its base the nascent HCP, the CAFTA experience would come to substantially enrich this methodology.

---

[22] See Annex II of the Quito Declaration at *http://www.ftaa-alca.org/Ministerials/Quito/Quito_e.asp.*

[23] Since 1995, the Tripartite institutions have provided technical, analytical and financial support to the FTAA process and have earned a reputation for providing high quality and politically neutral assistance.

[24] A detailed description of the evolution of the HCP is beyond the scope of this paper. It will be the subject of a forthcoming paper by Norberto Iannelli [2005]. The key highlights of the HCP to date include the preparation of National Trade Capacity Building Strategies by all participating countries, the organization of a donor-country meeting roundtable and the establishment and implementation of the IDB-Canada Trade Fund.

TABLE 2
THE CAFTA NEGOTIATIONS AND TCB: A TIMETABLE

Date	Event
January 16, 2002	United States offers to explore negotiating a free trade agreement with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua)
July 2002	United States and Central Americans begin to define the CAFTA TCB process
September 2002	Modalities for preparing National Action Plans agreed upon
September-October 2002	Countries, with the assistance of donors, prepare the first versions of their National Action Plans
November 13-14, 2002	Countries agree that Central Americans should prepare "90 Day Priority" documents based on their Action Plans
December 6, 2002	Commencement of "90 Day" period
January 8, 2003	Formal launch of the CAFTA negotiations
January 27-31, 2003	I Round of Negotiations/TCB meeting: San Jose
February 24-28, 2003	II Round of Negotiation/TCB meeting: Cincinnati
March 31-April 4, 2003	III Round of Negotiations/TCB meeting: San Salvador
May 16-20, 2003	IV Round of Negotiations/TCB meeting: Guatemala City
June 16-20, 2003	V Round of Negotiations; TCB "mid-term review": Tegucigalpa Countries agree to update their Action Plans
July 28-August 1, 2003	VI Round of Negotiations/TCB meeting: New Orleans
September 15-19, 2003	VII Round of Negotiations/TCB meeting: Managua
August 8, 2003	United States and Dominican Republic announce intention to negotiate a "docking agreement" on to CAFTA
October 20-24, 2003	VIII Round of Negotiations/TCB meeting: Houston
December 12-17, 2003	IX Round of Negotiations/TCB meeting: Washington
December 17, 2003	United States and El Salvador, Guatemala, Honduras, and Nicaragua sign CAFTA
January 25, 2004	United States and Costa Rica sign an agreement for the latter's "accession" to CAFTA
January-March 2004	United States and Dominican Republic negotiate "docking agreement"
February-May 2004	Legal review and "scrub" of US-CAFTA agreement
May 28, 2004	United States and Central American countries sign the official text of US-CAFTA agreement
August 5, 2004	After legal scrub of the Dominican Republic's docking arrangement, United States, Dominican Republic, and Central American countries sign the final official text of the US-DR/CAFTA Agreement.

From July-September 2002, the six countries met on a number of occasions with a view to kick-starting the CAFTA TCB process. Much as was envisioned in the HCP approach, the parties agreed that national trade capacity building strategies, known in the CAFTA context as National Action Plans, should be prepared as a first step. In these documents, countries would identify and prioritize their TCB needs for: (1) negotiating the CAFTA; (2) implementing the agreed obligations; and (3) undertaking a successful transition to free trade. In order to facilitate the preparation of the Action Plans, the countries dedicated their efforts to formulating a guidelines (or template) document.

At this early stage, the parties invited the Tripartite Committee institutions to support the CAFTA TCB process, with the IDB serving as Chair. This undoubtedly stemmed from the effective work of the Tripartite institutions in the FTAA and the significant financial resources at the disposal of the three institutions, particularly the IDB.

Through the summer and early autumn of 2002, the countries, with the support of the Tripartite institutions, prepared the guidelines document. The Action Plans would include a first section describing the national trade regime and trade policy-making context. The second section would consist of three parts: needs related to negotiation, to implementation and to transition to free trade. The negotiation and implementation components would be sub-divided into specific area of trade agreements, such as market access or dispute settlement. Market access would, in turn, be sub-divided into needs related to non-tariff measures or customs procedures or rules of origin. For each particular need, a country would be asked to rank its relative importance, 1 being most important and 3 being least important. With respect to the transition to free trade, the guidelines document listed a series a broad areas, including rural development, fiscal reform and infrastructure. Many of the areas identified were complementary reforms that were not necessarily directly related to CAFTA obligations. Nevertheless, such reforms would allow countries to take better advantage of the negotiated agreement.[25]

Once the text of the guidelines document was agreed upon, the Central American countries were ready to begin applying the methodology to the preparation of their National Action Plans. The Central Americans requested assistance formulating their Actions Plans, and it was agreed that the Tripartite institutions and the United States Agency for International Development (USAID) would take on this role. The IDB was charged with aiding Costa Rica and Nicaragua. The OAS assisted El Salvador. The Mexico Office of ECLAC supported Guatemala. USAID was charged with assisting Honduras.

Despite the common guidelines, the resulting Action Plans turned out to be very different in their length and content. This partly reflected countries' existing levels of trade capacity and partly what they hoped to achieve from the TCB process. Some countries with extensive experience in negotiating state-of-the-art trade agreements focused mainly on the challenges of implementing and adjusting to the CAFTA. Their Action Plans tended to be rather selective in terms of the areas that were identified as top priorities. Other countries felt that they needed extensive capacity building assistance in the negotiating phase as well as in the implementation of and adjustment to

---

[25] When, in early 2003, the FTAA countries were developing their own guidelines document for the preparation of the HCP strategies, they drew significantly on the CAFTA template.

the CAFTA agreement. Therefore, their Action Plans were more extensive. Other countries presented Action Plans that were rather incomplete and would require additional time to expand and revise the documents.[26]

C. "90 Days"

All of the countries presented the first versions of their National Action Plans by early November 2002. The Central Americans and the United States now needed to decide how to bring them to life. By this point, it had been agreed that the CAFTA negotiations would be formally launched in early January. With much work having been completed and the pressure for action mounting, the six countries met in Washington on November 13-14, 2002 to define future steps. Out of this meeting, the important, but ultimately complicating decision to have each of the five Central American countries prepare what were to be called "90 day Priority Project" documents was made. The idea was that countries would identify their most urgent priorities among those areas listed in the Action Plans that required addressing in the first 90 days in the formal life of the CAFTA Integral Cooperation Agenda, starting December 6, 2002. These priorities would be fleshed out in the form of project profiles that would be compiled in a single national document.

The 90-day documents for each of the countries were presented to the United States and the Tripartite donor community before the commencement deadline. The priority projects identified were very much in line with the approaches in the Action Plans: some countries presented more projects than others; some project ideas were more fleshed out than others. Because a core principle of the Integral Cooperation Agenda was that the process was to be country-driven rather than donor-driven, there was no consultation process with donors while the priorities were being selected and the documents prepared.

One matter on which insufficient common understanding existed between donors and countries was the purpose of the project profiles. At times, countries seemed to take the view that the preparation of a profile implied that a donor would finance the project. Donors, on the other hand, saw project profiles as an initial basis for discussion and analysis and did not imply financing for any of its components. Few, if any, donors would agree to fund a project set forth in a profile on which they had not held prior consultations with the country.

In theory, the idea of establishing 90-day priorities seemed sound. All parties would have an action-forcing deadline and a criterion by which to judge the relative success of the process. However, there was a disconnect between the 90-day deadline and the capacity of donor institutions to respond within this time frame to a degree consistent with the expectations of the Central American countries.

This disconnect derived from structural and institutional factors. Multilateral lending institutions such as the IDB have extensive processes of consultation with countries, as well as internal analysis, before approving and disbursing funds. This is especially true in the case of loans, which in many

[26] See the current versions of the Action Plans at: *http://www.ustr.gov/Trade_Development/Trade_Capacity_Building/Central_America/Section_Index.html.*

countries must be ratified by the Congress of the recipient country, as it implies an increase in the level of external indebtedness. Moreover, the IDB, for example, cannot approve a project unless the country's Governor to the Bank, in most cases the Minister of Finance, requests and authorizes it. Therefore, if the Ministry of Trade wishes to obtain IDB resources for addressing a given trade capacity challenge, it needs to win the support of the Ministry of Finance. Under optimal circumstances, the Ministry of Finance itself would see TCB as sufficiently important to merit a proactive approach, but this was not always the case.

A key challenge, particularly in the initial stages, was to ensure that trade officials saw the CAFTA TCB process in the context of their country's overall public investment plans and broader relationship with donor institutions. Project profiles presented in a vacuum, in the absence of prior consultation with the Ministry of Finance and other government stakeholders, could not expect to receive financing.

The IDB had three basic channels for participation in the 90-day time horizon. First, funds for the Central American countries could have been most readily obtained by re-programming resources away from existing projects toward the new TCB priorities generated by CAFTA. In theory, the Minister of Finance could request the Bank to re-direct resources, and the Bank would assess and agree with national authorities on the best approach for doing so. In practice, the ex-post re-directing resources from one Ministry or priority to another required a level of national policy coherence that often did not exist. Second, the Bank was able to finance a limited quantity of TCB priorities out of existing technical cooperation (TC) grant resources. However, the IDB (like other donor agencies) has no readily accessible reserve of grant money that can be drawn upon in a swift and discretionary manner. Therefore, the Bank's scope of action for rapid grant assistance was limited. Third, the Bank could and did provide non-financial assistance (i.e., through budgetary means) such as direct training and tools (for example, software applications designed to assist market access and origin negotiators) for understanding technical trade issues. Much of this latter assistance was paid for with resources from the Special Initiative for Trade and Integration, a US$ 2 million annual supplemental budget allocation to the IDB Integration and Regional Programs Department in 2003-04.

Each of the US government entities involved in trade capacity building (some 17 in total) has its own internal procedures and budgeting cycle. In order to facilitate coordination among this disparate array of agencies and departments and push forward the CAFTA TCB process, the HCP, and similar initiatives, the United States Trade Representative (USTR), the cabinet-level official within the US government with lead responsibility for trade negotiations, named a special dedicated TCB executive. In terms of volume of funds, USAID is the largest donor and has a good ability to respond in a timely fashion (particularly for lower-cost activities). Other agencies have significantly smaller budgets whose best swift-action responses is the provision of training and related materials. These activities are technical in nature, as US law prohibits US agencies from teaching trade negotiators from other countries how to negotiate against the US.

Without some sort of large extra-donor agency contribution (such as a politically complicated appropriation of funds for TCB from the US Congress), disappointment was sure to accompany the arrival of the 90-day deadline.

D. The Learning Process

The CAFTA negotiations were formally launched at a ceremony in Washington on January 8, 2003, with the Ministers of Trade of Central America and the USTR in attendance. The Ministers and the USTR set forth the basic elements of the CAFTA process. There would be negotiating groups covering all disciplines included in contemporary trade agreements, and the negotiations were to conclude by the end of 2003. A group on trade capacity building would also be created. The TCB group would meet in parallel with the negotiating groups and would include not only the countries but also multilateral financial institutions and other resource partners. Its specific mandate would be to implement the Integral Cooperation Agenda. At the launch ceremony, the USTR stated that over 50 projects would assist the trade capacity and competitiveness of the Central American countries and that President Bush had requested $ 47 million for trade capacity building in Central America in his 2003 budget proposal.[27]

The first negotiating round of CAFTA took place in San Jose, Costa Rica from January 27-31, 2003. It was agreed that the TCB group would meet during the first two days of the round and that subsequent meetings would be two days in length. The US government sent representatives from numerous departments and agencies. International donors consisted of IDB, OAS, ECLAC, World Bank, and Central American Bank for Economic Integration (BCIE).

One interesting donor present in San Jose was the Humane Society of the United States (HSUS), an NGO. The HSUS was the first NGO to come to the table when USTR issued an invitation to the NGO community to participate as donors in the Integral Cooperation Agenda. The HSUS and subsequent NGO participants would not only channel TCB assistance to the CAFTA countries, but help to break down some of the barriers of suspicion surrounding trade negotiations processes. The HSUS would achieve this by participating in all of the CAFTA rounds, developing useful projects, and conducting itself in a manner supportive of the CAFTA process and its participating countries.

The San Jose meeting established the structure for the subsequent TCB group meetings. First, a government-to-government session was held, followed by a plenary that included all countries and all donors. Then, bilateral meetings were conducted with each of the donors to discuss specific projects and issues. Finally, the governments reconvened in plenary to analyze the results of the meeting and identify the agenda for the next round. In subsequent meetings, issue-specific plenary sessions would be held concurrent with the bilateral meetings. In addition, donors would often come to participate in the closing plenary.

The San Jose meeting set the stage for the coming rounds. Countries presented donors with additional project profiles, and donors underlined their relatively limited short-term ability to respond to these needs. However, donors reminded countries of their much greater capacity to respond in the medium term. Hence, the difficulties in complying with the 90-day deadline became ever more apparent.

---

[27] See the USTR press release: *http://www.ustr.gov/Document_Library/Press_Releases/2003/January/United_States_Central_American_Nations_Launch_Free_Trade_Negotiations.html.*

On February 20, 2003, four days before the second CAFTA negotiating round and TCB Group meeting, the US Congress finalized a budget for the fiscal year beginning October 1, 2003. Division A, Title V, Section 584 of the Consolidated Appropriations Resolution, 2003 states that "(o)f the funds appropriated by this Act (…) not less than $ 452,000,000 should be made available for trade capacity building assistance" (Thomas - Legislative Information on the Internet [2003]). Congress did not earmark a specific portion for Central America. However, the CAFTA TCB process was among the most active in which the US was engaged, and the region stood to benefit significantly. This allocation was in stark contrast to the 2002 budget in which Congress established no minimum amount for TCB assistance. While US agencies would invest significant funds from the 2002 budget in trade capacity building, the 2003 appropriation seemed to underscore the success of efforts to put TCB on the political agenda in Washington.

While the $ 452 million authorization presumably included most if not all of the $ 47 million cited by the USTR, this figure would complicate matters during the early rounds of the CAFTA. The Central American countries seemed to understand this "budget request" to be a commitment of funds. For its part, the US seemed to understand it for what they stated it was: a request, which, given the nature of the Congressional budgetary process, was subject to change.[28]

The second round of CAFTA took place in Cincinnati, Ohio in the third week of February 2003. At the TCB table, one country withdrew its TCB Action Plan and replaced it with another. In addition, certain countries presented additional project profiles. The gap between the results-oriented countries, driven by their expectations of vast sums of new money within 90 days, and the process-oriented donors continued to grow. Having worked hard in developing numerous project profiles and having trumpeted the TCB process and the 90-day deadline to the press and public at home, the countries now needed to demonstrate tangible results. Similarly, donors vigorously reviewed their various funding envelopes in search of concessional resources that could be provided in the short term.

One tangible result that did emerge from the Cincinnati round was a request by Costa Rica to the IDB to begin working on a single large loan to cover needs arising from the transition to free trade. Costa Rica did not want a multitude of different loans to cover different types of activities (for example, infrastructure or agriculture or competitiveness). It wanted a single operation that it could take to Congress for one-time approval, perhaps at the same time as the CAFTA agreement. This would allow the government to have sufficient resources to facilitate the transition for both the immediate winners and losers from free trade. The Bank did not have a single lending instrument to cover such a diverse array of activities. Nevertheless, it was developing the concept of the hybrid lending program, including different types of financing mechanisms in a single package, with a view to assisting countries with the adjustment to free trade and integration resulting from the FTAA and other trade liberalizing agreements. The request from Costa Rica helped to give shape to the design of this program and provided an impetus for its establishment. In its

[28] One could posit that part of the confusion stemmed from the decentralized fashion in which the US government disburses much of its foreign assistance, including TCB. Rather than disbursing funds directly to countries or having US government staff, such as that of USAID, undertake capacity building work directly, the US tends to outsource to private contractors to deliver assistance. While the countries benefit from the local and international experts deployed by the contractors, the ultimate underwriter of the TCB programs, the US government, is not always given as much recognition as it could receive.

final design, the hybrid instrument, which was to be called the Program for Integration, Trade and Competitiveness,[29] allowed both fast disbursing policy-based lending and project-based financing in a single package. This permitted the Bank to respond in a tailor-made fashion to Costa Rica's request.

Another output of the Cincinnati meeting was the decision by donors and countries to mandate the development of a tracking mechanism for the numerous project profiles presented in the context of the 90-day priority documents and subsequently. A Working Group consisting of representatives from the US Government and donor institutions was formed for the purpose of developing a summary matrix of project profiles.

The design of a workable matrix that fulfilled its objectives yet was satisfactory to the recipient countries, proved to be a complicated undertaking. Such matters took on a prominent role in the III Round in El Salvador and the IV Round in Guatemala. While the matrix was designed to track country needs and donor activities, it came to resemble a scorecard; a sub-optimal result for all parties.

There were essentially three matters on which there was less than universal agreement. The first of these was how to assess whether an identified need had been addressed. To take a typical example, a country would set forth the need for assistance on sanitary and phytosanitary (SPS) issues. A donor would respond with a training seminar at the regional or national level that may have in part or in whole covered the specific SPS areas identified by the country. The country would feel that the seminar was insufficient in addressing its real needs. The donor, on the other hand, would feel that it responded to the identified need. Because the donors prepared and updated the matrix, they would mark the need as having been addressed. However, at the CAFTA TCB Group meeting, the countries would take issue with this characterization.

A second matrix issue revolved around what would be included in the document. Was it strictly 90-day priorities? Would projects presented subsequent to the "90-day" documents be included? If so, how would donors be able to determine what projects countries saw as top priorities?

A matrix issue had to do with the uses of and perceptions generated by the matrix. When the countries looked at the matrix, in many cases, they saw a long series of blank spaces in the "response" column. This reinforced the perception that the donors were not holding up their end of the bargain. On the other hand, in many cases, the donors felt unfairly attacked. No consultations had been undertaken or quality control exerted on the project profiles whose summaries filled the matrix. Was every project idea really a good or a feasible one? In addition, the matrix did not recognize that countries were reluctant to consider loans rather than grants, or that Trade Ministries had not won the support of Finance Ministries for their project ideas, or that countries had not followed up with donors who offered them grant money.

[29] For a description of the instrument see: *http://www.iadb.org/NEWS/DISPLAY/PRView.cfm?PR_Num=153_03&Language=English.*

In order to resolve these matters and to assess the progress of the TCB process to date, the Central Americas and the United States agreed to hold a "Mid-Term Review" at their next meeting, scheduled for Tegucigalpa, Honduras in mid-June 2003.

Despite the disagreements over the matrix, the medium-term potential of the donors, especially the IDB, began to be realized. A $ 5 million fast-track Trade Sector Facility[30] loan for Nicaragua was signed in March, the first disbursement of which was made in May. With this one operation, the Bank covered a large portion of the country's negotiation and implementation needs. The IDB also approved a $ 10 million Trade and Competitiveness Loan to Honduras in May 2003.[31] This operation included components to strengthen the capability of the country to negotiate trade agreements and to promote exports. The Bank also delivered a number of non-reimbursable TCs and continued providing non-financial activities under the aforementioned Special Initiative. Even as the countries prepared to assess the process in Tegucigalpa, the Bank began to mobilize its important resources.

E. The Mid-Term Review

The Tegucigalpa meeting, June 16-20, 2003, involved a comprehensive review of all aspects of the CAFTA TCB process. The Central Americans and the United States discussed their perceptions of the process to date and its future course. The Central American countries manifested their disquiet about what they viewed as a gap between the promises of the TCB process and the resources delivered to date for financing their needs. Nevertheless, they were committed to continuing to pursue the TCB process in a constructive manner. For its part, the United States offered a different assessment, particularly about the level of resources it had invested thus far in the process. Nevertheless, it too committed itself to advancing the process in a constructive fashion. In the spirit of renewal, the parties agreed to discontinue the use of the matrix of project profiles as an instrument for tracking projects and to use an ad hoc methodology for the time being.

The Honduras Round marked the end of the innocence in the CAFTA TCB process. Central America no longer expected to see a TCB "Marshall Plan" such as they imagined at the CAFTA inauguration event. There would be no $ 47 million in easily accessible, freely disposable cash. The countries stopped talking about and expecting immediate funding for their 90-day priority projects. The focus shifted away from the matrix and toward updating and improving the Action Plans. While the countries still looked for short-term and grant activities, much of the discussion shifted to medium-term approaches. The frenetic pace of the first months was gone, and with it the transformational expectations that the process had originally brought to life.

---

[30] The Trade Facility was created in 2000 to provide fast track approval up to US$ 5 million to tackle all imaginable TCB needs in the areas of negotiation and implementation.

[31] The Nicaragua and Honduras project documents are available on the IDB public website at: *http://www.iadb.org/projects/projects_documents.cfm?language=english#.* In May 2001, the Bank approved a $ 5 million Trade Sector Facility loan for Guatemala, which the government had available for use throughout the CAFTA negotiations.

F. New Orleans to Washington

The renewed importance of the Action Plans was underlined by a commitment made by the United States at the close of the Honduras meeting: if the Central American countries updated their Action Plans, the US would present them to a group of private sector parties interested in coming to the TCB table and arrange a meeting on the margins of the next Round. The Central Americans took the US up on this offer.

The VI Round of the CAFTA negotiations took place in late July 2003 in New Orleans. The TCB meeting was expanded from two to three days for the purpose of accommodating all of the activities. As promised, the US organized a panel and several bilateral meetings for interested private sector parties and the countries. These meetings, along with the efforts of other private parties led to the formation of and formal participation in the TCB meetings of the Business Coalition for Capacity Building (BCCB). While the BCCB and its member companies did not bring project investment funds into the process, it did offer strategic advice on the types of investments and reforms that investors seeking to do business in the countries would find attractive.

With respect to the TCB meetings themselves, New Orleans set the pattern for the remainder of the negotiating period. The discussions were very "process-oriented." In other words, they focused on the state of implementation of approved projects, the status of initiatives working their way through donor evaluation/approval processes and the bringing to fruition of new activities. While the discussions were more realistic and harmonious, donors felt as much pressure as always to come to each meeting with at least a number of tangible outputs. The process had and was continuing to prove its utility.

The degree of follow-up by the countries on donor initiatives ranged from robust to shaky. While certainly not the norm, there regrettably were occasions when opportunities were lost or diminished due to a lack of follow-up by certain countries, even though some actions required no more than a one-paragraph letter or a one-page description of the activity to be undertaken. Unsurprisingly, the more proactive countries in the CAFTA TCB process tended to get relatively more from donors, particularly in the way of grant resources and direct non-financial assistance.

As the weeks passed, the number of TCB programs approved escalated exponentially. Projects in the pipeline came to fruition and funds were disbursed. Among the international organization donors, the IDB and BCIE were the most active, given their relatively greater resources.[32] Project areas included trade infrastructure, institutional re-structuring, sector-level strengthening and trade-related technical assistance. For their part, the OAS and ECLAC presented a steady stream of niche activities.

The following rounds in Managua and Houston advanced a number of projects and initiatives. The process was very much in motion and the delegates were well disposed to finish what they

[32] In addition to its lending and grant programs, the IDB organized a number of interesting CAFTA TCB-related initiatives. For example, the Bank built an alliance with TransFair USA, the largest certifier of organic products in the world, and provided funding for the design of a pre-harvest financing mechanism for Central American organic farmers. In another initiative, the IDB brought 15 Central American journalists to its headquarters and organized a seminar with leading Washington, DC policy-makers and experts on the CAFTA.

could before the end of the year deadline. In Managua, a request was made of the institutions to begin to compile and calculate the number and value of projects they had carried out in the framework of the CAFTA TCB process. For the non-financial institutions such as the OAS and ECLAC the calculations seemed to be relatively straightforward, as many of their activities were non-financial in nature. For the IDB and the other financial institutions, the question of how to perform the calculations was very complicated. While various methodologies were discussed, it was decided that it would be best to use the Action Plans as the basis for determining the scope of trade capacity building activities.

The international organization donors presented their initial estimates in Houston. After receiving comments from the country delegates, it was agreed that all donors would submit final estimates by the first week in December in preparation for public announcement by the USTR and the Central American Trade Ministers during what was to be the final round a week later in Washington. It was agreed that the reference period for the estimates would be projects approved in the 2003 calendar year. In other words, it would not include any projects that were still in the pipeline, no matter how close to approval. However, it would include projects approved in 2003 that had entered the pipeline before the launch of the CAFTA negotiations, so long as they addressed a prioritized need in the Action Plans.

The IDB TCB team worked diligently in preparing these estimates, undertaking extensive internal consultations with those involved in regional and national operations in Central America. Complicating matters was the fact that November is the "bunching period" for the international financial institutions, the period when managers and operations specialists seek to move to approval all of the projects that they have been developing throughout the year.

The Washington Round did not exactly provide the triumphant conclusion to the CAFTA negotiations that most had anticipated. For its part, the TCB process was a great success, in spite of the fits and starts described (see Summing Up below). The six countries agreed to establish a permanent TCB Committee and agreed on the specific language related to TCB that would be included in the text of the agreement (see Table 4). El Salvador, Guatemala, Honduras, Nicaragua and the United States eventually did agree on all of their remaining issues. The five countries announced the conclusion of the CAFTA negotiations on December 17, 2003, two weeks ahead of December 31 deadline. Costa Rica reached agreement on January 25, 2004.[33] CAFTA was formally signed by the USTR and representatives from the five Central American countries on May 28, 2004.[34]

---

[33] The CAFTA agreement would subsequently become the DR/CAFTA agreement. Between January and March 2004, the Dominican Republic negotiated a CAFTA "docking" agreement with the United States. The negotiating process was accompanied by a TCB group that generated a number of small-scale activities. The IDB came to the TCB table having recently approved a Trade Sector Facility Loan, a Competitiveness Loan and an Agricultural Loan. After months of work, the final DR/CAFTA text was signed on August 5, 2004 in Washington.

[34] For an overview of the May 2004 signing ceremony and links to CAFTA documents, including the final text, see: *http://www.ustr.gov/Document_Library/Press_Releases/2004/May/United_States_Central_America_Sign_Historic_Free_Trade_Agreement.html.*

G. Summing Up

A key indicative measure of the relative success of the TCB process relates to the amount of money dedicated to TCB activities and projects undertaken. By the end of the negotiating period, donors had achieved a significant amount.

When the IDB presented its totals in the second week of December 2003, it estimated that, using the agreed parameters,[35] it had financed some 48 projects totaling over US$ 320 million.[36] This represented some 69% of total IDB operations (by value) in Central America during the reference period. In looking at the final balance, one can certainly conclude that the IDB responded to the call to provide TCB assistance to the CAFTA countries. In addition, the sizable Costa Rican Program for Integration, Trade and Competitiveness loan and a number of other operations were poised for later approval. In sum, the IDB had come a long way in successfully mainstreaming trade into the heart of Bank operations and the CAFTA TCB exercise was an important motivating factor. Table 3 below provides a disaggregated summary of the Bank's TCB-related projects by country.

TABLE 3
THE IDB AND TRADE CAPACITY BUILDING IN CENTRAL AMERICA IN 2003*

Country	Number of Projects (Loans and TCs)	Total (US$ million)
Costa Rica	9	4.0
El Salvador	10	103.4
Guatemala	4	99.7
Honduras	6	14.4
Nicaragua	11	75.0
Regional Projects	8	26.1
Total	*48*	*322.6*

Note: * All projects approved in 2003 which addressed directly or indirectly issues in the CAFTA TCB Action Plans.

For its part, the World Bank approved some $ 70 million in CAFTA-related loans during the 2003 reference period. These operations focused on the competitiveness of firms in El Salvador, Guatemala, Honduras and Nicaragua.[37]

---

35 As noted above, the criterion agreed by the countries for compiling the estimates of CAFTA-related TCB assistance was: all projects approved in 2003 that addressed TCB needs set forth in the Action Plans, whether or not they entered the pipeline after the formal commencement of the CAFTA TCB process or were directly motivated by the TCB process. In compiling these estimates, projects were not disaggregated by components. Rather the litmus test for CAFTA-related was whether the project as a whole was more related than not to needs identified in the CAFTA Action Plans. So as to ensure the greatest possible level of precision with respect to an assessment of the TCB process, one may wish in future work to disaggregate approved projects by component and direct links to the TCB process as well as prepare a multi-year time series.

36 See *http://www.iadb.org/NEWS/Display/PRView.cfm?PR_Num=271_03&Language=English* and *http://www.iadb.org/NEWS/Display/PRView.cfm?PR_Num=12_04&Language=English.*

37 See the World Bank's CAFTA page at *http://www.worldbank.org/cafta.*

BCIE did not make publicly available an aggregate total of its 2003 TCB-related support to the CAFTA countries. Nevertheless, it did provide important TCB resources to the process. In addition to its lending operations with the countries, BCIE provided a series of non-reimbursable technical cooperations. These included a $ 2.5 million TC ($ 500,000 per country) to assist countries with strengthening their negotiating teams and with the logistics of participating in the CAFTA negotiations, a $ 600,000 TC to aid countries with better understanding certain technical aspects of the negotiations and a $ 1.25 million TC to assist with ratification of the agreement.[38]

The OAS and ECLAC did not make publicly available an accounting of their CAFTA TCB activities.

With respect to the contribution of NGOs to the CAFTA TCB process, the Humane Society and other such organizations linked together to form the "CAFTA Alliance".[39] Under this rubric, Alliance members undertook projects in three areas:

1. Customs Enforcement of the Convention on the International in Endangered Species (CITES);
2. Rural Area Veterinary Services (particularly related to SPS issues); and
3. Humane Agriculture and Tourism, including:
    a) local market development;
    b) incentives for organic production and habitat protection;
    c) "certified humane" labeling; and
    d) humane livestock production and slaughter.

With these projects, the Alliance has built regional partnerships across Central America and played a pivotal role in building capacity in specialized areas. The dollar value of these initiatives is not publicly available.

For its part, the United States Government (including all Departments and Agencies) provided a significant amount of TCB assistance to the CAFTA countries. The sum totals for Fiscal Year (FY) 2003 and FY 2004 are presented in Table 4 below.

---

[38] See the BCIE homepage at: *http://www.bcie.org*.

[39] See the CAFTA Alliance page at: *http://www.caftaalliance.org.*

TABLE 4
THE US GOVERNMENT AND TCB ASSISTANCE FOR CAFTA COUNTRIES (US$)[40]

Country	FY2003	FY2004
Costa Rica	223,757	126,041
El Salvador	9,979,785	17,878,551
Guatemala	5,786,211	1,668,855
Honduras	8,686,185	12,941,633
Nicaragua	9,197,222	14,968,661
Total	33,873,160	47,583,741

H. Capacity-Building in the CAFTA Text

The final CAFTA text[41] contained a number of provisions related to TCB. The pertinent sections, including with respect to the permanent TCB committee, are set forth in Table 5 below. This table does not include references to cooperation contained in Chapter 16 on Labor or Chapter 17 on Environment. Cooperation in these areas is addressed through the Labor Affairs Council and the Environmental Affairs Council, which are entirely separate from the TCB process set forth in Chapter 19.

TABLE 5
SUMMARY OF TCB-RELATED PROVISIONS IN CAFTA TEXT

Area	Text
Customs Administration and Trade Facilitation	Article 5.12: Capacity Building The Parties recognize the importance of trade capacity building activities in facilitating the implementation of this Chapter. Accordingly, the initial capacity building priorities of the working group on customs administration and trade facilitation under the Committee on Trade Capacity Building should be related to implementation of this Chapter and any other priorities that the Committee designates.
Sanitary and Phyto-Sanitary Measures	Article 6.3: Committee on Sanitary and Phytosanitary Matters 6. The Committee shall provide a forum for: (e) making recommendations on technical cooperation programs on sanitary and phytosanitary matters to the Committee on Trade Capacity Building;
Technical Barriers to Trade	Article 7.8: Committee on Technical Barriers to Trade 2. The Committee's functions shall include: (c) enhancing cooperation in the development and improvement of standards, technical regulations, and conformity assessment procedures and, as appropriate, designing and proposing mechanisms for technical assistance of the type described in Article 11 of the TBT Agreement, in coordination with the Committee on Trade Capacity Building, as appropriate;

40 The United States Government defines Fiscal Year (FY) 2003 as running from October 1, 2002-September 30, 2003 and FY2004 as running from October 1, 2003-September 30, 2004. Because FY2003 ended in the middle of the negotiations, the figures for both years are cited. These figure are publicly available on the US Government Trade Capacity Building Database, available at: *http://qesdb.cdie.org/tcb/index.html.*

41 For the final CAFTA text see: *http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA-DR/Section_Index.html.*

TABLE 5 (continued)

Area	Text
Intellectual Property Rights	Article 15.1: General Provisions 16. Recognizing the Parties' commitment to trade capacity building as reflected in the establishment of the Committee on Trade Capacity Building under Article 19.4 (Committee on Trade Capacity Building) and the importance of trade capacity building activities, the Parties shall cooperate through that Committee in the following initial capacity-building priority activities, on mutually agreed terms and conditions, and subject to the availability of appropriated funds: (a) educational and dissemination projects on the use of intellectual property as a research and innovation tool, as well as on the enforcement of intellectual property rights; (b) appropriate coordination, training, specialization courses, and exchange of information between the intellectual property offices and other institutions of the Parties; and (c) enhancing the knowledge, development, and implementation of the electronic systems used for the management of intellectual property.
Trade Capacity Building	Section B: Trade Capacity Building Article 19.4: Committee on Trade Capacity Building 1. Recognizing that trade capacity building assistance is a catalyst for the reforms and investments necessary to foster trade-driven economic growth, poverty reduction, and adjustment to liberalized trade, the Parties hereby establish a Committee on Trade Capacity Building, comprising representatives of each Party. 2. In furtherance of the Parties' ongoing trade capacity building efforts and in order to assist each Central American Party to implement this Agreement and adjust to liberalized trade, each such Party should periodically update and provide to the Committee its national trade capacity building strategy. 3. The Committee shall: (a) seek the prioritization of trade capacity building projects at the national or regional level, or both; (b) invite appropriate international donor institutions, private sector entities, and nongovernmental organizations to assist in the development and implementation of trade capacity building projects in accordance with the priorities set out in each national trade capacity building strategy; (c) work with other committees or working groups established under this Agreement, including through joint meetings, in support of the development and implementation of trade capacity building projects in accordance with the priorities set out in each national trade capacity building strategy; (d) monitor and assess progress in implementing trade capacity building projects; and (e) provide a report annually to the Commission describing the Committee's activities, unless the Committee otherwise decides. 4. During the transition period, the Committee shall meet at least twice a year, unless the Committee otherwise decides. 5. The Committee may establish terms of reference for the conduct of its work. 6. The Committee may establish ad hoc working groups, which may comprise government or non-government representatives, or both. 7. All decisions of the Committee shall be taken by consensus, unless the Committee otherwise decides. 8. The Parties hereby establish an initial working group on customs administration and trade facilitation, which shall work under and report to the Committee.

Contents

IV. CONCLUSIONS AND LESSONS

The CAFTA Trade Capacity Building process experienced significant success, but also engendered disappointment. The dollar figures and number of projects generated by the process point to achievements and the countries agreed to institutionalize a TCB mechanism in the agreement. Nevertheless, in the initial phases, expectations were raised, arguably to unrealistic levels and thus inevitably thwarted. In the final balance, however, the CAFTA experience is associated with efficient mobilization of significant financial resources for the building of trade capacity is possible.

The CAFTA TCB experience, and its similarities and differences with the IF, perhaps offer insights for the organization and conduct of future TCB initiatives, including at the WTO level for donors, the countries and the methodological operation of the process itself.

A. Donors

a) Success depends on mainstreaming trade capacity building into institutional resource allocation processes. Donor institutions have their own procedures, priorities, and prioritization processes that are not, a priori, linked to any trade capacity building process or other initiative. Because trade policy/TCB needs are not traditional areas of development financing, officials responsible for trade within donor institutions must build broad bridges with other parts of their organization if these needs are to become key institutional priorities and garner more than the financial crumbs left over after the institutions annual programming work is completed.

Since the beginning of the CAFTA process, the IDB made significant steps in mainstreaming trade. The Bank's Regional Operations Departments have worked closely with the IDB's functional department responsible for trade, the Integration and Regional Programs Department, in Central America and beyond in contributing to trade capacity building operations. One key advantage that the IDB, (as well as the OAS and ECLAC) brought to the CAFTA TCB process was an already high level of institutional trade capacity. This capacity, constructed since the mid-1990s, included trade lawyers, trade policy experts, statisticians, research economists, and operations specialists. If the mainstreaming process is to succeed, it is important for an institution to invest in having in-house staff who can thoroughly explain complex trade policy matters and their importance to member countries and who can effectively apply this knowledge in the formulation of TCB projects to assist them.[42]

b) Dedicated instruments significantly aid the effectiveness of donors in participating in TCB processes and in mainstreaming trade within their institutions. A key advantage that the IDB brought to the CAFTA process was a series of dedicated instruments for supporting TCB activities.[43] Such a "toolkit" has not been replicated by any other donor in either the CAFTA or the IF processes. The IDB instruments included:

---

[42] Since 1994, the Tripartite Committee institutions had built centralized trade policy capabilities, largely in response to the FTAA. In the CAFTA process, the World Bank and BCIE had relatively fewer experts and/or they were dispersed across a range of departments. For the importance of internal donor capacity and related matters, see OECD [2001].

[43] For detailed information on the instruments see: *http://www.iadb.org.*

- Trade Sector Facility Loan: fast-approving, fast dispersing; maximum amount US$ 5 million. In CAFTA context, Guatemala and Nicaragua had Trade Loans. Suitable for pre-negotiation, negotiation and implementation matters.

- Program for Integration, Trade and Competitiveness: combines fast disbursing policy-based lending with project-based financing; no pre-set maximum amount. Suitable for transition to free trade.

- Special Initiative on Trade and Integration: a $ 2 million annual budgetary allotment in 2003-2004 to support trade-related activities in the Americas, including CAFTA. Suitable for financing consultancies, seminars, and training.

- Multilateral Investment Fund: special trade-related clusters that finance innovative projects in Latin America and the Caribbean that benefit the private sector. MIF projects are typically technical assistance grant programs of between $ 1-1.5 million. During the CAFTA negotiations, open clusters of relevance included: (i) facilitation of international trade and investment; (ii) small business networks/supply chains, (iii) cleaner production /environmental management; and (iv) competitiveness through standards. Suitable for implementation and transition to free trade.

- Institute for the Integration of Latin America and the Caribbean (INTAL): INTAL undertakes research and finances training and consultancies on trade issues. Suitable for pre-negotiation, negotiation and implementation.[44]

Dedicated instruments allow a donor like the IDB to offer customized TCB programs/responses for each stage of the trade liberalization process. They also allow donors to dedicate their time between roundtable meetings/negotiating rounds to developing projects under specific instruments rather than searching for how and where to include TCB projects within general financing programs. This, in turn, facilitates the ability of donors to respond in a more agile manner to pressing needs that arise in the course of trade negotiations. Moreover, once an institution has made a commitment to having a good level of trade capacity, and to having dedicated TCB instruments, it is significantly easier to establish additional instruments (such as the Program for Integration, Trade and Competitiveness) or expand the coverage of existing windows (as was done with the MIF in the FTAA business facilitation project). In short, the establishment of a "cluster" of dedicated instruments allows a donor to better respond to country TCB needs and to facilitate the full completion of the mainstreaming process internally and to signal the importance the institution places on TCB externally.

c) Donors need to be forthright with countries about what their institution can realistically expect to do, when it can do it and what the country must do to bring this about. One of the most complex tasks faced by donors in a TCB process is that of managing expectations. It is essential when donors meet with countries that they be realistic about what they can do and on what timetable. If

[44] In addition to these "tools", the Bank also administers the IDB-Canada Trade Fund. Established in November 2003 by agreement between the Bank and the Government of Canada, the Trade Fund finances TCB projects in the context of the HCP of up to CAD$ 150,000. The Central American countries are designated as "eligible non-priority countries". Canada has separate aid programs in Central America.

donors do not deliver on what they promise, the credibility of the TCB process can be affected. Similarly, donors need to be very clear about the nature and requirements of the instruments from which they are trying to mobilize TCB financing. If, for example, another department within the donor institution has a potential financing vehicle for a given TCB project proposal, the TCB representatives for the donor need to be clear with the country that while they can advocate for the project, the ultimate decision about financing remains with the other department.

Donors also need to be clear about what the responsibilities of countries are in the TCB assistance mobilization process. If, for example, the country is required to send a formal letter of request to the donor institution requesting grant financing from a certain source of money for a given project, donors need to be clear about what the letter should say and to whom it should be directed. Donors generally know which countries are relatively more responsive and can plan around this. The key factor from the donor perspective is that assistance efforts not fail due to lack of fulfillment of opportunities on their end.

d) Maximize the number of non-financial deliverables. Countries can benefit from many types of trade capacity building assistance. Building trade capacity need not be strictly about financing projects. Throughout the CAFTA process, the IDB has undertaken many types of non-financial activities. For example, when a country required assistance in conceptualizing certain aspects of their free trade adjustment strategy, the Bank dispatched a consultant. When a country sought assistance in preparing for implementation of the CAFTA, the Bank sent a team of experts to meet with national policymakers and trade officials. These activities and many more have been carried out at low cost to the countries and the Bank, but they have been very helpful to the countries in negotiating the CAFTA agreement and preparing for its implementation. They have also helped to provide much-needed success stories as loan and TC operations have been working their way through donor approval processes.

e) Donors must closely coordinate with each other. Close donor coordination is a sine qua non of any workable TCB process. The literature on TCB best practices emphasizes the need for such coordination (see OECD [2001] and Sauvé [2004]). The Doha Ministerial Declaration called for closer donor coordination. The IF established and refined the IFSC and the IAWG to try to facilitate greater donor coordination. The CAFTA TCB group made great efforts to ensure donor coordination. Nevertheless, the CAFTA TCB experience, and that of the IF, re-confirmed what most savvy hands in the development world already knew: each donor has its own priorities, methodologies for project development, and philosophical opinions on technical issues. For any TCB process to effectively work, donors must coordinate with each other in a transparent fashion and share credit rather than view each other as rivals. This is much easier said than done because bureaucracies, by their very nature, encourage tribal behavior. However, it serves no one's interests, least of all the countries involved, if multiple donor institutions are trying to develop competing projects. Building on the Tripartite Committee structure of the FTAA, the CAFTA TCB process has facilitated a significant level of inter-donor coordination.[45] Donors talk regularly about what activities they are undertaking in a given country. However, donors themselves cannot carry the entire burden of coordination. Government officials at the TCB table need to know what

---

[45] This close coordination has continued in the US-Andean TCB process.

projects in what areas are under discussion with what donors. They also require clear instructions from their senior officials as to how to approach their bilateral meetings with donors. This, of course, implies intra-governmental coherence and coordination in dealing with the TCB challenges; something that all to often fails to materialize. Therefore, a donor needs to ask two fundamental questions when receiving a project proposal from a country: (1) "Have other relevant ministries, above all, the Ministry of Finance given support to this proposal?" and (2) "Have you presented this or a similar proposal to other donors?".

B. Countries

a) Countries need to be proactive in making the TCB process work. The old saying tells us that "it takes two to tango". As in the case of donors, the vast majority of TCB work undertaken by countries occurs away from the donor-country meeting table. Countries need to follow up on project financing leads given by donors and be proactive in fulfilling administrative and procedural requirements. The CAFTA experience, like other aid processes, has shown that countries that are proactive and clear in their requests and relationship with donors tend to have greater success in obtaining financial and non-financial resources.

b) Countries need to understand what TCB is (and is not) and how to manage the expectations of national stakeholders. Trade Capacity Building is a process that focuses on strengthening institutions and/or implementing procedures and methodologies that enable developing countries to more fully and effectively negotiate, implement and adjust to free trade and economic integration. TCB assistance is not a "Marshall Plan", and it is not a singular answer to trade and competitiveness challenges. Countries need to guard against creating unrealistic expectations about the TCB processes among policy-makers, private sector leaders and the general public. If TCB is sold as a panacea, which naturally does not materialize, then the good that can come from TCB activities can be undermined by the fallout from thwarted expectations. As noted in 1(c) above, donors also have a significant responsibility with respect to not raising expectations.

c) Trade Ministries must involve their respective Finance Ministries in TCB processes. In most countries, Ministries of Finance determine public investments and authorize the receipt of grant financing. There is no getting around their centrality in public policy-making. Therefore, it is fundamental that Trade Ministries coordinate closely with Finance Ministries and win their support for proposed TCB initiatives. Without such support, the scope of a country's ability to benefit from a TCB process is significantly constrained.

C. Methodology

a) TCB processes should be broad enough to include countries with different levels of development. One of the key problems in making the IF work is that it focuses only on Least Developed Countries. Yes, LDCs have the greatest needs. However, almost by definition, LDCs are at the bottom in terms of number of skilled trade officials and infrastructure. Therefore, diagnostic and project development processes tend to be very slow. Middle and lower-middle-income countries tend to have a relatively greater ability to efficiently articulate their trade capacity needs to donors and to move them to action. Given the expectations and time-horizon of donors, countries and observers of such matters, initiatives such as the IF tend to require "success stories" relatively early on. These "stories" serve as "announceables" that are used to build confidence in the process and attract greater commitments from donors and participation by countries. Without these "stories", it is easy for donors to lose interest and for countries to forego partaking in the process. Given the fact that many LDCs need assistance in even getting started in the needs-identification process, exclusively LDC-centered initiatives risk suffering from drift. While the IF has gotten back on track, the fact that the WTO has at least two stand-alone TCB trust funds tends to indicate that donors are still hedging in terms of where they designate their assistance. In addition to operational capacity, another key reason for diversified participation in TCB processes pertains to political legitimacy. By focusing only on the poorest and most marginalized countries, the IF process is structured to lack relevance for a politically important plurality of WTO members (including all of Latin America and the Caribbean, except Haiti), thereby making a global "buy-in" impossible.[46]

b) TCB processes must strike a balance between linking comprehensively to broader development strategies and programming and responding to the pressing needs faced by countries at the negotiating table. The "challenge of complementarity" (see Sauvé [2004] p.11.) is an often-discussed theme in trade capacity building circles. The incorporation of TCB into the core of the national development agenda is essential. Without the formal trade-development linkage, projects risk failing to capitalize on natural synergies across areas or even working at cross-purposes with each other. That said, the end of the mobilizing practical and timely trade capacity building assistance for a country can get lost in the development of ever more perfect development strategy documents that diagnose the complex array of factors that drive underdevelopment. Ultimately, an essential test, if not THE essential test, of the relative success or failure of a TCB process is how effectively and efficiently it can mobilize the required resources to address the urgent TCB needs identified and prioritized by countries. Undoubtedly, countries will look for a TCB process in which it is participating to respond to immediate needs arising from on-going trade negotiations, whether or not these needs have been incorporated into a broader development strategy.

For a TCB process to enjoy the sustained support of countries yet to encourage the fulfillment of national development objectives, it must strike a balance between linking comprehensively to broader development processes and having the ability to agilely respond to the pressing needs arising at the negotiating table or at home in implementing and adjusting to agreements. The Integrated Framework (by virtue of its structure) has been very thorough in incorporating TCB needs into broader development processes. However, although the establishment of Window II of the IF Trust Fund was very much a step in the right direction, the IF still seems to have a ways to go in meeting the "efficiency and effectiveness" test. The CAFTA TCB process, despite its early difficulties, seems to have come closer to passing this test. However, it was much less thorough about embedding the process from the outset in existing development strategies, a cost associated with the agreed timelines for the pre-negotiation and negotiation phases. Each process has lessons for the other in this regard.

[46] In CAFTA, there were different pre-existing levels of capacity among the Central American countries. Those with a relatively greater degree of capacity tended to advance the process while the countries with a lesser degree of capacity were organizing themselves and were drawn in by the pressure of momentum among peers.

c) TCB processes should acknowledge core structural realities of the participating donor institutions. While numerous donor institutions have made important progress in mainstreaming trade into their development strategies and programs, the core realities of donor institutions with respect to developing projects and disbursing funds remains intact. IDB, BCIE and World Bank, by definition of their procedures and structure, could never respond in a manner consistent with the expectations of the Central American countries to the initial 'priority projects', especially not in the specified 90-day period. Donors and countries need to be sure to match donor capabilities with country expectations when establishing the parameters of future TCB processes. The IF, on the other hand, perfectly reflected the structures and methodologies of its core institutions. Despite a wish on the part of some countries for a swifter response to identified needs, anyone familiar with the World Bank or UNDP operations procedures and processes could not have been surprised at the relatively measured pace of project development.

d) Deadlines and measures of performance, while useful, must be realistic. Deadlines can be an important tool for invigorating a process. The CAFTA countries, for example, worked at breakneck speed to prepare the Action Plans and to be ready for the launch of negotiations. However, deadlines need to be realistic. As mentioned in 3(c) above, the 90-day deadline enormously complicated matters for all parties involved. Given the parties at the table, a more realistic deadline may have been 9 months, and only for a limited array of projects. Before being officially established as priorities, countries should also consult with donors, if only informally, on the potential list of priority projects so as to improve their chances of obtaining funding. Similarly, measuring the progress of a TCB process can be a good thing. However, countries need to agree in advance what the criteria will be for measuring success. Again, this needs to take into account the institutional realities of the parties at the table.

e) Project profiles are necessary, but need to be viewed as a starting point for dialogue. Every donor knows that a project idea needs to be elaborated in the form of a project profile if it is to be eventually approved for financing. Despite the 90-day experience, the preparation of the profiles is necessary to TCB processes. However, donors need to be very clear that the presentation of a profile is a starting point and does not imply any commitment or obligation to provide financing. In order to reinforce this sentiment, a strict limit (e.g. 2-3 pages) should be set for each profile. These should also be presented in a format agreed upon at the outset of the process. In CAFTA, it was not uncommon for countries to present project profiles of 20 pages or more. If a document looks and reads like a starting point, it is more likely to be viewed that way.

E. Financing

a) Donors need to have a reasonable quantity of non-reimbursable resources for use in the initial phases of the TCB process. Countries are willing to participate in and work at a TCB process if they feel that they can "get something out of it". While systemic benefits do flow from the process of identifying and prioritizing trade capacity building needs, government officials and private sector leaders will not dedicate their scant time to such an initiative if they are unable to foresee obtaining tangible benefits in the form of grant financing for some of their priority projects. The CAFTA perhaps did not address the need for an "early harvest" of credibility-enhancing TCB projects as well as it might have. Frustration set in early in the CAFTA process because many of the 90-day projects were going unfinanced due to a lack of grant resources. Although the credibility gap was later closed as the programs of certain larger donors came online, it would have been politically more optimal to have avoided such complications. The IF, deriving its financing from existing donor programming processes, had even greater difficulties in this regard. In future, donors planning to initiate a TCB process may wish to get together in advance and set aside an agreed quantity of non-reimbursable resources within their institutions. These funds can be deployed to grease the wheels of the TCB process in its early stages. For better or for worse, countries view relatively easy grant financing for a given quantity of their priorities as a test of the real level of commitment of donors to a TCB process.

b*) Diversified money sources facilitate the long-term viability of TCB processes, but also pose challenges*. The CAFTA TCB process marked an unprecedented coming together of a diverse array of public, private and international donors seeking to finance and organize projects to strengthen the trade capacity of the Central American countries. The United States Government was frank from the outset about its inability (for a variety of reasons) to finance all of the TCB needs of the Central American countries. Therefore, the assembling of a broad-based coalition of resource partners was essential if the region's TCB needs were to be addressed with any seriousness. In future TCB processes, one can envision this 'donor community' expanding to include more NGOs, perhaps government aid agencies from countries not at the negotiating table, private sector associations, and individual private firms. This makes both good financial and good policy sense for the countries involved. However, this expansion has to be managed carefully. One needs to ensure that all entities that are not party to the trade negotiations to which the TCB process is attached are acting to strengthen the "public good" of the process rather than pursue their own specific commercial or political ends.

Contents

V. EMBOLDENING THE MULTILATERAL TCB PROCESS

A. Link the Multilateral TCB Process Directly to the Negotiations.

Trade negotiations, whether at the WTO or at regional negotiating tables, and the specter of implementing new disciplines tend to illuminate the capacity challenges of participating countries. This, in turn, generates dynamism and urgency around the need to build trade capacity. In order to achieve this effect to the maximum degree and spur the sustained interest of international institutions, the TCB process at the multilateral level needs to be directly linked to the WTO trade negotiations process.

The Integrated Framework has not reached an optimal level of dynamism in part because it is insufficiently linked to and able to benefit from the dynamism of a meaningful trade negotiation. While the WTO Doha Round is seeking to liberalize trade in goods and services, the day-to-day work of the Trade Negotiations Committee (which guides the Doha negotiations) and the Negotiating Groups occurs well away from the deliberations and developments of the IF process.

By contrast, the CAFTA integrated its TCB group into the heart of the negotiations process. Its proceedings had a sense of immediacy and it was able to draw on the vitality of the negotiations. The CAFTA TCB group met simultaneously with the negotiating groups and was driven by their calendar. In addition, the CAFTA negotiating groups, those responsible for developing the substantive rules and disciplines of the agreement, were mandated to compile needs in their areas of responsibility for presentation to the TCB group. Negotiators from these groups came regularly to the TCB table to discuss these priorities. This provided countries with an efficient outlet for presenting for consideration TCB needs that had arisen in the course of the negotiations. The pace of the negotiations also forced donors to keep the CAFTA process on the front burner and to actively consider assistance needs as they emerged. Because each negotiating round was an "action-forcing event", the cumulative effect was to create an impetus for donors to efficiently mainstream trade, to the maximum degree possible, into their work.

To the extent this is a relevant insight, Ministers of Trade of WTO member countries could consider bringing the Integrated Framework directly into the multilateral trade negotiations process. While the WTO Negotiating Groups do not assemble en masse for "Negotiating Rounds", the Ministers could consider creating a TCB Committee comprised of a broad array of donors and countries that will meet at WTO headquarters in Geneva as often as a typical Negotiating Group. The new TCB Committee would have broad responsibilities for the coordination of activities for the building of trade capacity at the multilateral level. In doing so, it would take over the technical assistance tasks currently carried out by the Committee on Trade and Development (CTD). The CTD would retain responsibility for all work related to special and differential treatment and smaller economies. It would be a sine qua non that the CTD and the TCB Committee would carry out their work in a coordinated fashion.

As in CAFTA, the WTO TCB Committee could hold both thematic sessions and donor-country breakout sessions. In addition, the Negotiating Groups and standing WTO Committees could channel identified needs to the TCB Committee. Integration into the Doha process would be a key first step to making the WTO TCB process a dynamic one and to reducing some of the developing country-developed country conflicts in the system.

B. A Possible Approach

The CAFTA and IF experiences suggest that a road map leading to successful establishment and operation of such a multilateral TCB process would include the following elements:

a) Open the Process to Participation by All Developing Countries. The pool of countries eligible for participation in the multilateral TCB process could be expanded significantly. Many non-LDCs have significant needs that are not being systemically addressed in any TCB process. The least complicated methodology for deciding which countries are eligible for to participate in a global TCB process is self-selection.[47] The Ministers could fix a given timeframe; say three months, for the countries to notify their intent to participate in the new TCB process. The methodologies of most donors for providing assistance, particularly grants, prioritize the smallest and poorest countries. Therefore, the LDCs will still receive significant assistance whether or not the lower-middle income tier countries are brought to the table. However, the inclusion of this tier of countries, which already have some capacity and could significantly benefit from well- designed TCB assistance, could be the catalyst for expanding the pool of resources and resource-partners.

b) Proactive Donors Assist Countries in Preparing TCB Strategies. The IF, the CAFTA and other TCB processes have all required as the first step the preparation of National TCB Strategies (i.e., DITS and Action Plans). The Ministers could fix a deadline of say nine months to one year for the completion of Strategies for all countries that have notified their intention to participate in the new TCB process. In order to meet this deadline, proactive donors with trade expertise and a non-partisan orientation should be invited to assist countries in preparing their Strategies. Much as the IDB, the OAS and ECLAC did in Central America, the donors would cover their own staff and travel expenses when undertaking this work. While donor assistance is voluntary, donors should not write countries' Strategies, but rather serve as technical advisors and facilitators. The CAFTA, FTAA HCP, and DTIS preparation processes have all shown that the visit of a team from the designated donor institution serves as an action-forcing event and opens up a vehicle for feedback. With respect to those countries that have already prepared Strategies, whether under CAFTA, FTAA HCP, IF-DTIS or non-IF DTIS, they can choose to discard them, revise them (with or without donor assistance) or use them as they are. In terms of their basic structure, the Strategies could employ the negotiation/implementation/adjustment methodology pioneered in the FTAA process and first employed in the CAFTA process for organizing their prioritized TCB needs. The Strategies are meant to be living documents that can be modified or updated as necessary. However, countries should be encouraged to maintain at least some basic coherence over a period of years.

c) Establishment of a Formal WTO TCB Committee that Brings Together Donors and Countries. During the period in which the Strategies are being prepared, WTO officials can develop the rules and procedures for a TCB Committee. As in the CAFTA process, one could foresee that decision-making authority regarding the management of the Committee would rest with WTO member governments. Donors would participate as invited guests.

---

[47] Self-selection was used as the methodology in the 34-country FTAA Hemispheric Cooperation Program. Brazil, Chile and Mexico have opted not to participate as recipient countries of TCB assistance (they have indicated a willingness to provide specific assistance as donors). Argentina identified only one TCB area of importance (that has since been addressed by an IDB operation). Venezuela has not participated in the HCP to date and has presented proposals for restructuring the process. Canada and the United States are participating as donor countries.

The Committee would be formally established once these are agreed upon and the period for preparing Strategies has concluded. The initial membership on the donor side could include the six institutions participating in the IF, interested donor countries and other institutions that assisted countries with preparing their Strategies. These are likely to include the regional development banks[48] and other multilateral providers of assistance such as the Commonwealth Secretariat. The country side of the table would consist of all countries that had prepared Strategies.

In order to get the Committee off on the right foot and signal its formal integration into the WTO negotiations process, its first meeting could be held concurrent with a WTO Ministerial Meeting. This would give the WTO TCB process a very high profile. Having the Strategies in place at the time of launching would also give the process a credibility that other efforts have not achieved.

At the launching of the Committee, the Ministers can announce their intention over the medium term to expand the pool of interested donors to include NGOs, foundations and private sector bodies. The Ministers and WTO officials will face a complicated task in developing an acceptable methodology for the inclusion of non-official donors. However, the CAFTA experience indicates that this can be a desirable end. Managed appropriately, non-governmental actors can bring significant TCB resources to the table. Not only will developing countries benefit, but these actors also will come to have a stake in the success of the multilateral trading system.

d) Financing: Merge Existing TCB Trust Funds into a New Trust Fund. Despite calls for coherence among different donor mechanisms, the multilateral system has four major trust funds for financing TCB activities: the WTO-managed Global Trust Fund and the Doha Development Agenda Trust Fund; the JITAP Common Trust Fund; and the Integrated Framework Trust Fund. These funding instruments, whose resources come from governmental and institutional donations, could be brought under a single operational structure. This would reduce the administrative duplication associated with having multiple funds and provide a "one-stop shop" for WTO member countries seeking TCB grant resources. Perhaps initially, the four funds could be transformed into "windows" within a single WTO TCB Trust Fund. Over time, this structure can be refined as necessary. Such a decision would naturally require the support of WTO member countries and interested donor institutions. However, an integrated TCB process at the multilateral level, with a single WTO TCB Committee, should be accompanied by a single, integrated TCB trust fund.

The implementation of such an approach to emboldening the multilateral TCB process would contribute to and be assisted by real forward movement in the process of more clearly defining and making operational WTO provisions on Special and Differential Treatment, as mandated by paragraph 44 of the Doha Declaration. A robust TCB process at the WTO level would significantly reduce the temptation for member countries to claim "lack of capacity" as the reason for not implementing certain disciplines. As a consequence, the special and differential treatment debate could shift to a more honest dialogue about how, as Bernard Hoekman has put it, to "operationalize the concept policy space in the WTO" (Hoekman [2004]). In other words, WTO countries could have a more direct discussion about: (i) the rules and disciplines from which certain members feel

[48] These would include the IDB, the Asian Development Bank, the African Development Bank and the European Bank for Reconstruction and Development.

they need to deviate, either wholly or partially; (ii) ensuring that such deviations are undertaken in a transparent fashion; and (iii) appropriately reflecting these deviations in WTO law.

Developing countries are quite correct in pointing out that the quantity of non-reimbursable resources relative the countries' needs is presently very small. The great challenge in the years ahead is to find efficient ways to close this gap. Undoubtedly, the institutional and governmental partners that have participated as donors in the IF and CAFTA processes will have an important role to play.

Contents

BIBLIOGRAPHY

BRENES, LIDIETTE AND ARMANDO GONZÁLEZ. "País Rechaza Propuesta de EE.UU." in *TLC. La Nación San José*. December 17, 2003.

DEVLIN, ROBERT AND ZIGA VODUSKEK. *Trade Related Capacity Building: An Overview in the Context of Latin American Trade Policy and the MERCOSUR-EU Association Agreement.* Prepared for Chaire MERCOSUR of Sciences Po Working Group Meeting. Paris, France. April 29, 2004.

FLESHMAN, MICHAEL. *WTO Impasse in Seattle Spotlights Inequities of Global Trading System. Africa Recovery.* (Vol. 13, N° 4). United Nations Department of Public Information. December, 1999.

HOEKMAN, BERNARD, AADITYA MATTOO, AND PHILIP ENGLISH. "Box 48.1: Costing of Implementing the WTO Agreements: The Jamaican Experience". *Development, Trade and the WTO: A Handbook*. The World Bank. 2002.

HOEKMAN, BERNARD. *Operationalizing the Concept of Policy Space in the WTO: Beyond Special and Differential Treatment*. (Policy Brief # 4), William Davidson Institute. July, 2004.

IANNELLI, NORBERTO. *Los desafíos de la Cooperación Hemisférica*, (mimeo). 2005.

INTEGRATED FRAMEWORK. *Working Together to Enable LDCs to be Active Players and Beneficiaries of the Global Trading System: The Integrated Framework Explained*, Briefing document prepared by IF core agencies, (mimeo), undated.

JOINT WTO/OECD. Report on Trade-Related Technical Assistance and Capacity Building, (mimeo). *Http://tcbdb.wto.org.* 2004.

LACARTE, JULIO AND JAIME GRANADOS (EDS). *Solución de Controversias Comersciales Inter-Gubernamentales: Enfoques Multilaterales y Regionales*, Buenos Aires, IDB-INTAL. (Available in English from Cameron May Publishers, London). 2005.

LUKE, DAVID. "Trade-Related Capacity Building for Enhanced African Participation in the Global Economy", *Development, Trade and the WTO: A Handbook* (eds. B. Hoekman, A. Mattoo, and P. English). Washington, D.C.: The World Bank. 2002.

ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT - OECD. *The DAC Guidelines: Strengthening Trade Capacity for Development*. Paris: OECD. 2001.

SAUVÉ, PIERRE. "Trading for Development", Report from an APEC Workshop on WTO Capacity Building Best Practices. Singapore: APEC WTO Capacity Building Group. 2004.

THOMAS – LEGISLATIVE INFORMATION ON THE INTERNET. *Consolidated Appropriations Resolution*, (mimeo). The Library of the Congress. *Http://thomas.loc.gov.* 2003.

WILLIAMSON, JOHN. *A Short History of the Washington Consensus*. Institute for International Economics, (mimeo). *Http://www.iie.com/publications/papers/williamson0904-2.pdf*. 2004.

WORLD BANK. "Building Institutions for Development", *World Development Report*. Washington D.C.: World Bank. 2002.

__________. "The State in a Changing World" *World Development Report*. Washington D.C.: World Bank. 1997.

SELECTED SOURCES FOR OFFICIAL PRESS RELEASES AND REPORTS

CAFTA Alliance: *http://www.caftaalliance.org*

Central American Bank for Economic Integration: *http://www.bcie.org*

Free Trade Area of the Americas: *http://www.ftaa-alca.org*

Integrated Framework: *http://www.integratedframework.org*

Inter-American Development Bank: *http://www.iadb.org*

Joint Integrated Technical Assistance Programme: *http://www.jitap.org*

Multilateral Investment Fund: *http://www.iadb.org/mif/v2/index.html*

Office of the United States Trade Representative: *http://www.ustr.gov*

United States Government Trade Capacity Building Database: *http://qesdb.cdie.org/tcb/index.html*

World Bank: *http://www.worldbank.org*

World Trade Organization: *http://www.wto.org*

INTAL PUBLICATIONS

Contents

REGULAR PUBLICATIONS

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

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

SUB-REGIONAL INTEGRATION REPORTS

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

CARICOM Report. Annual publication (English).

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

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

SPECIAL REPORTS

Solución de Controversias Comerciales e Inter-Gubernamentales: Enfoques Regionales y Multilaterales (Spanish). Julio Lacarte and Jaime Granados. INTAL-ITD Serie. 2004.

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

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

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

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

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

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

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

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

- *Transporte Terrestre.* José Alex Sant'Anna. 1997.
- *Puertos y vías navegables.* Martín Sgut. 1997.
- *Los ferrocarriles y su contribución al comercio internacional.* Ian Thomson. 1997.

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

WORKING PAPERS

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

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

The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration (English). Uziel

Nogueira. INTAL WP-01. 1997.

DISSEMINATION PAPERS

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

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

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

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

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

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

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

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

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

DATABASES - SOFTWARE

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

Base INTAL MERCOSUR (BIM)

Base de datos bibliográficos (INTEG)

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

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

Rueda de Negocios

Red INT SERIES

THE INTEGRATION RESEARCH CENTERS NETWORK (REDINT)

Second Call*:*

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

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

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

First Call:

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

El impacto sectorial del proceso de integración subregional en Centroamérica: sector lácteo y sector metalmecánico (aparatos eléctricos) (only in Spanish). 2000.

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

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

Contents

INTAL/ITD PUBLICATIONS

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

Building Regional Infrastructure in Latin America (English). Vito Tanzi. INTAL-ITD WP-SITI-10. 2005.

The European Window: Challenges in the Negotiation of Mexico's Free Trade Agreement with the European Union (English and Spanish). Jaime Zabludovsky y Sergio Gómez Lora. INTAL-ITD WP-SITI-09. 2004.

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

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

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

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

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

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

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

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

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

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

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

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

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

WORKING PAPERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Entrance to the European Union of 10 New Countries: Consequences for the Relations with MERCOSUR (English). Renato G. Flôres Jr. INTAL-ITD OP-SITI-10. 2005.

Principales retos de la negociación de un tratado de libre comercio con Estados Unidos: disciplinas en materia de inversión (Spanish). Jaime Zabludovsky and Sergio Gómez Lora. INTAL-ITD DD-IECI-09. 2005.

The Production and Financing of Regional Public Goods. (English). Vito Tanzi. INTAL-ITD OP-SITI-08. 2005.

The Harmonization of Indirect Taxes in the Andean Community. (English and Spanish).
Luis A. Arias, Alberto Barreix, Alexis Valencia and Luiz Villela. INTAL-ITD OP-SITI-07. 2005.

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

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

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

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

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

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

OCCASIONAL PAPERS

Achievements and Challenges of Trade Capacity Building: A Practitioner's Analysis of the CAFTA Process and its Lessons for the Multilateral System (English) Eric T. Miller. INTAL-ITD OP-32. 2005.

MERCOSUR: ¿Una experiencia de desarrollo institucional sustentable? (español)
Celina Pena y Ricardo Rozemberg. INTAL-ITD DD-31. 2005.

Jamaica: Trade, Integration and the Quest for Growth (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-30. 2005.

Trade Related Capacity Building: An Overview in the Context of Latin American Trade Policy and the Mercosur-EU

Association Agreement (English). Robert Devlin and Ziga Vodusek. INTAL-ITD OP-29. 2004

Barbados: Trade and Integration as a Strategy for Growth (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-28. 2004

Mirando al MERCOSUR y al mundo: estrategia de comercio e integración para Paraguay (Spanish). Paolo Giordano. INTAL-ITD DD-27. 2004

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

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

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

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

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

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

Export Processing Zones and Other Special Regimes in the Context of Multilateral and Regional Trade Negotiations (English and Spanish). Jaime Granados. INTAL-ITD-STA DD-20. 2003.

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

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

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

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

Diseños institucionales y gestión de la política comercial exterior en América Latina (Spanish). Jacint Jordana and Carles Ramió. INTAL-ITD-STA DD-15. 2002.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contents

INTAL/ITD /SOE PUBLICATIONS

EURO-LATIN STUDY NETWORK ON INTEGRATION AND TRADE (ELSNIT)

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

INT/ITD PUBLICATIONS

WORKING PAPERS

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

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

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

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

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

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

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

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

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

SPECIAL PUBLICATIONS

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

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

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

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

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

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

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

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

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