

## **TRADE AND DEVELOPMENT:**

### **Background Material for the USAID Delegation to the Seattle Ministerial , Nov. 30 - Dec. 2, 1999**

Preface

The Challenge of Global Trade: USAID's Role in Enhancing Developing Countries' Capacities to Trade

Background Papers:

- Trade, Economic Growth, and Poverty Reduction
- The Agricultural Trade Round and Developing Countries
- Gender and Trade
- Trade and Labor at the World Trade Organization: The Role for USAID

A Region-by-Region Review of USAID Technical Assistance Programs for Trade and Competitiveness

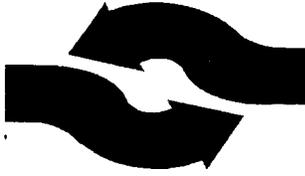
## Preface

The U.S. Agency for International Development (USAID) was established by the foreign assistance legislation of 1961. Since then, we have worked with governments, citizens' groups, and private sector interests around the world to mount programs that respond to countries' own priorities and potentials. These programs enable them to solve the problems that inhibit their abilities to realize their aspirations for economic, social, and political development. Partners to USAID in this effort have been the hundreds of American universities, nongovernmental and private voluntary organizations and private sector businesses. They have brought skills, innovativeness, and serious dedication to the business of facilitating sustainable development.

Nearly four decades of development assistance programs have given USAID and its American partners innumerable opportunities to develop a very flexible set of tools for a very wide range of problems. It has also given our partners and counterparts in developing and transitional countries substantial familiarity with U.S. bilateral assistance and an appreciation for how the grant assistance managed by USAID can best be programmed in concert with that provided by other donors.

Preparations for the Seattle Ministerial, hosted by the United States, have generated a broader awareness of the challenges that developing countries face as they reform their trade policies and institutions to better conform with the standards and rules of the global trading system. The Seattle event has also heightened awareness in the United States of the importance of developing countries' economic growth to our own trading interests. USAID is in a unique position to foster a win-win outcome for both the U.S. and our developing country trading partners.

USAID's provision of assistance to build capacity for trade and development can contribute importantly to U.S. leadership in bringing developing countries into the mainstream of a multilateral trading system with a human face. This set of background materials summarizes some of the perspectives that USAID is bringing to the task and illustrates, through description of ongoing activities, the tools and approaches that are being used.



## THE CHALLENGE OF GLOBAL TRADE: USAID'S ROLE IN ENHANCING DEVELOPING COUNTRIES' CAPACITIES TO TRADE

*Developed and developing countries alike face new challenges and opportunities in the era of globalization. The rapid growth of world trade has provided many developing nations with capital, technology, and new markets, creating jobs and income. The US has also benefited from increased trade flows with increased access to growing markets. But many of the least developed nations have been unable to participate meaningfully in the benefits of world trade. Participation in the World Trade Organization can be expensive, procedures complex, and compliance with agreements difficult to achieve. In addition, underlying structural economic weakness give the least developed nations a distinct competitive disadvantage. Friction with the developed nations over environment and labor issues further complicates the picture.*

*The United States has strong interests in continued movement toward an open, rules-based trading system and is prepared to support the efforts of developing countries to compete in the global economy. United States Agency for International Development (USAID) programs and expertise can contribute substantially to international efforts to help developing countries strengthen the human and institutional capacities they need to meet the new challenges and take advantage of the emerging opportunities.*

### I. Growth in World Trade

During the 1990s, the volume of global trade grew at twice the rate of the overall world economy. The international trade of goods and services expanded by over 55 percent, from \$4.3 to \$6.7 trillion. This rapid growth was influenced by widespread reductions in tariffs and non-tariff barriers and restrictions, as well

as advances in production technology and in data processing and communication.

Overall, developing countries have shared in this growth. Their imports are now two-thirds as much as industrial country imports, up from about half at the beginning of the decade. However, the distribution of benefits from global trade is clearly skewed toward those countries that have invested in solid infrastructures and human and institutional capacity. These are the countries that promote open markets, regulatory reform, innovation and the free flow of ideas. The least developed countries have gained the least and, together, represent only one-half of one percent of world trade. Unless they develop the capacities they need to compete in global markets, they are likely to slip further behind.

### II. Shared Benefits of Global Trade Growth

Developing country and United States objectives are mutually reinforcing. When developing countries export, they earn income to pay for imports. These imports provide goods and services needed for consumption and investment, as well as technology that can spur new innovation and investment in the local economy. Growth from trade creates jobs and generates resources that developing countries can use to invest in delivery of social services, basic infrastructure and expanded opportunities for the poor.

Developing countries are an increasingly vital market for U.S. exporters. U.S. exports to developing countries (primarily in Asia and Latin America) rose from 27 to 32 percent during the 1990s and amounted to \$275 billion in 1997. Growth in developing countries has a significant impact on US exports. For example, when the Mexican economy grew by six percent in the first half of 1998, U.S. exports to Mexico grew by 18 percent. In the first half of 1999, Mexico's economy grew by only 2.5 percent and U.S. exports grew by one percent.

Trade with developing countries encourages them to become part of a more stable world community and a global economy driven by knowledge, technology, market forces and international standards. This serves U.S. interests in promoting peace, expanding markets, and advancing democratic values. It also serves U.S. interests in international cooperation to address global issues such as environmental degradation, terrorism and epidemics.

The United States has a stake in an inclusive globalization that provides opportunities for all. For this reason, the United States has expressly included in its agenda for a new round of trade negotiations the goals of (1) expanding the community of nations that benefit from and play by the rules of the trading system, and (2) putting a human face on the global economy.

### III. The Challenge of Capacity Building

#### A. Participation in the World Trade Organization

Developing countries have learned that entry into the WTO will bring significant benefits only to members that are able to build the human capacities, institutional strengths, and market diversities needed to use the system well. Leaders in these countries see they still lack the human and institutional capacities they need in order to conform to the rules of the multilateral trading system and use those rules to protect their interests, resolve disputes and participate in future trade negotiations. They point out that the WTO is a procedurally complicated organization, and that the costs of engaging in the system are high. Many of them are just learning the full costs of implementing the reforms necessary to comply with their WTO obligations.

For these reasons, several organizations involved in the dialogue over multilateral trade policy, such as ASEAN, COMESA, CARICOM, and the Group of 77, have called for increased technical assistance that will help developing countries participate in and benefit from the multilateral trading system.

#### B. Competition in Global Markets

Developing countries also know that their success in global markets will require that they have competitive productive capacities and government services. Competitiveness lies at the very core of successful integration into the global marketplace. This is particularly true in the many USAID-assisted countries that rank poorly on international competitive indexes. Macroeconomic policy liberalization is necessary, of course. But microeconomic, sector-specific interventions and targeted

capacity building are also required. These countries need to overcome limited human and institutional capacities, poorly developed infrastructure, and inadequate knowledge. Well coordinated technical assistance from both bilateral and multilateral organizations can make the crucial difference for developing countries that are endeavoring to participate competitively in the global economy.

#### C. Labor and Environment

Developing countries have expressed the concern that the outcome of trade policy negotiations on issues like labor and environmental standards may lead to new barriers. However, many developing countries also realize that protection of human rights and the fair treatment of workers are important to broadly based growth, and that environment-friendly economic expansion is a key component to sustainable development. There is a growing demand for technical assistance in these areas.

### IV. USAID and Building Capacities

Important issues with unmet needs for technical assistance include:

- trade policy reform and procedures for implementing standards;
- commercial diplomacy training to assist countries, first, to gain WTO accession, and then, to participate in WTO negotiations;
- rule of law and legal, regulatory, judicial framework for economic activity;
- customs valuation and business facilitation;
- intellectual property rights and financial measures;
- WTO-consistent services and support systems;
- international standards for the protection of workers' rights;
- protection of the environment while increasing trade;
- WTO dispute resolution processes;
- WTO-consistent poverty reduction strategies.

US leadership in the international effort to help developing countries address these kinds of needs can help bring trade-related capacities into the mainstream of international development cooperation. The United States Agency for International Development is in a unique position to engage in this work. USAID has expertise in development, a strong field presence, and the ability to work with other donors. Between fiscal years



1998 and 2000, USAID expenditures on WTO-related and competitiveness activities will total between \$250 and \$300 million. The mechanisms used to deliver these programs are available to respond to additional requests for assistance on short notice. USAID's depth of knowledge and experience gives weight to its views in the process of shaping the development cooperation agenda.

In sum, capacity building that draws on the knowledge, experience and skills found in the United States bilateral assistance program contributes importantly to US leadership in bringing developing countries into the mainstream of a multilateral trading system with a human face.





## TRADE, ECONOMIC GROWTH AND POVERTY REDUCTION

*Trade and trade policies have always been important components of national economic plans. The linkages between trade, trade openness, and economic growth are direct. But increasing the impact of trade on the living conditions of the poor is also critical to least-developed countries (LDCs). Public sector investments are needed to create working, market-responsive institutions that increase opportunities for the rural and urban poor in LDCs to participate more fully and competitively in the global economy. 43 USAID Missions and 8 AID/W operating units have trade-related activities in their portfolios. Technical assistance and training services provided through these activities will total \$139 million in FY 2000. The top three trade-related priorities are activities related to: WTO accession and compliance; various forms of fiscal, legal, regulatory and customs reforms; and competitiveness enhancements.*

### Importance of Trade

Trade and trade policies have always been important components of national economic plans. In the 1960s and 1970s, countries tried to promote economic growth by relying on import-substitution policies. It was found that, instead of stimulating economic growth, high tariffs and costly non-tariff barriers constrained growth and deterred investments in productive activities because they fostered monopolistic behavior, generated high transaction costs and corruption and lowered consumers' welfare and economic efficiency.<sup>1</sup>

With the demise of import-substitution, countries in Central/South America and Asia have, since the 1980s, turned toward more outward-looking trade policies. The World Bank reported that after the Uruguay Round,

<sup>1</sup> These policies also subsidized capital, thereby aggravating problems of income distribution and poverty.

excessive tariffs, quantitative restrictions and non-tariff barriers were significantly lowered. Less-developed countries (LDCs) reduced their average tariffs on manufactures to below 15 percent. And, average tariffs on manufactures in industrial countries fell to an average of 2.5 percent.<sup>2</sup> In addition, the participation of all developing countries in the global trading system increased by 55 percent from 1986 to 1996 as their ratios of total exports and imports to GDP rose from 11 to 17 percent during the same period. LDCs have, however, used trade and trade policies to promote economic growth with different degrees of success. Moreover, with economic growth, some of those countries have devised and financed programs which have been improving the welfare of the poor.

The success stories of outward-oriented countries in Central/South America and Asia, combined with corroborating research data and findings, are prompting major development/lending institutions to stress the importance of trade and trade policies in the promotion of economic growth and development in LDCs. For the International Monetary Fund: "Policies toward foreign trade are among the more important factors promoting economic growth and convergence in developing countries."<sup>3</sup> According to the Organization for Economic Co-operation and Development: "More open and outward-looking economies consistently outperform countries with restrictive trade and foreign investment regimes."<sup>4</sup> In a recent study of the impacts of high tariffs, quantitative restrictions and discretionary licensing practiced by the Caribbean country-members of the Caribbean Common Market the World Bank concludes that: "The recent growth performance of these countries has been modest, almost two percentage points behind growth across all of Latin America and even farther behind the growing list of

<sup>2</sup> World Bank, "World Bank Support for Developing Countries on International Trade Issues", paper prepared for the 27 September 1999 meeting of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Washington, DC, 14 September 1999), p. 1.

<sup>3</sup> International Monetary Fund, World Economic Outlook (Washington, DC, May 1997), p. 84.

<sup>4</sup> Organization for Economic Co-operation and Development, Open Markets Matter: The Benefits of Trade and Investment Liberalization (Paris, 1998), p. 36.



countries that have effectively used international trade as a vehicle for development.”<sup>5</sup>

## Linkages and Impacts of Trade on Economic Growth

The linkages between trade and trade openness, and economic growth are direct. Trade positively affects economic growth because: (1) it provides access to imported inputs and with these to new technology; (2) it takes advantage of a country's comparative advantage (especially abundant labor) and allows it to exploit economies of scale, resulting in more efficient resource allocation; (3) it opens production to international competition, thereby stimulating innovation not only at the technological level but also in terms of managerial competence and skills of the workforce; and (4) it allows consumers access to a greater variety of products at lower prices.<sup>6</sup>

The strength of the direct impacts of trade and trade openness on economic growth varies, however, across LDCs. To fully use trade as an engine of growth, a LDC development plan should contain the following key elements: a sound macroeconomic environment; an enterprise development plan to establish a dynamic private sector; a human resource development program in government and in the private sector; a trade facilitation program (e.g., efficiency and transparency of customs administration); infrastructure – both physical (e.g., transport, communications, electricity) and legal-institutional; and using the WTO and other international instruments effectively.<sup>7</sup>

<sup>5</sup> J. Michael Finger, Francis Ng and Isidro Soloaga, “Trade Policies in the Caribbean Countries: A Look at the Positive Agenda”, World Bank paper prepared for the June 1998 meetings of the Caribbean Group For Cooperation on Economic Development (Washington, DC, 8 June 1998), p. iii.

<sup>6</sup> J. Dirck Stryker and Selina Pandolfi, “Impact of Outward-Looking, Market-Oriented Policy Reform on Economic Growth and Poverty – Technical Paper”, USAID-financed CAER II Discussion Paper No.7, June 1997.

<sup>7</sup> J. Michael Finger, Francis Ng and Isidro Soloaga, op. cit., pp. 10-11.

It should, therefore, be emphasized that economic growth is a broader issue than trade and that trade is a broader issue than removal of quantitative restrictions and reduction of tariffs. It should also be noted that increased integration with the world economy may, as demonstrated by the recent Asian financial crisis, exacerbate instability and volatility in LDCs in the absence of proper financial oversight.

## Linkages and Impacts of Trade on Poverty Alleviation

The linkages and impacts of trade and trade openness on the living conditions of LDC poor are indirect. They operate through economic growth (including income and employment growth) and public investments in the targeted delivery of social services and basic infrastructures. The strength of those linkages and impacts are related to the location and consumption pattern of the LDC poor.

Most of the poor in Africa live in rural areas, are isolated from markets, consume few internationally-traded goods (tradables) and have little access to either subsidized or unsubsidized public services.<sup>8</sup> Isolated from markets as they currently are, Africa's poor tend not to benefit much from either increased employment opportunities in labor-intensive export sectors as workers or the greater choice of lower-price-imported goods as consumers. Nevertheless, Africa's poor – who are generally tied to agriculture and the agricultural sector – tend to benefit from trade liberalization measures. In a study of trade and exchange-rate policy reforms in ten African countries during the 1970s and 1980s, empirical evidence indicates that – contrary to some conventional wisdom – “...the rural poor tended to benefit from trade and exchange rate reforms as rents were redistributed throughout the economy, price incentives for production of many tradables improved, and payments to unskilled labor, land, and informal sector capital rose.”<sup>9</sup>

Compared with Africa's poor, more of the poor in Latin America and Eastern Europe live more in urban areas and tend to consume more tradable goods.<sup>10</sup>

<sup>8</sup> J. Dirck Stryker and Selina Pandolfi, op. cit., pp. A.6-12.

<sup>9</sup> David E. Sahn, Paul A. Dorosh, and Stephen D. Younger, Structural Adjustment Reconsidered – Economic Policy and Poverty in Africa (Cambridge University Press, 1997), p. 94.

<sup>10</sup> J. Dirck Stryker and Selina Pandolfi, op. cit., pp. A.6-12.



Unlike their African counterparts, they may receive more direct benefits from trade as workers (via employment and income), as consumers (via greater selection of lower price imported goods) and as users of urban-based public services.

Increasing the indirect impact of trade and trade openness on the living conditions of the poor is critical to LDCs, especially smaller economies. To this end, public sector investments are needed to create working market-responsive institutions that increase opportunities for the rural and urban poor in LDCs to participate more fully and competitively in the global economy. Market-responsive institutions can reduce transaction costs faced by the rural and urban poor in accessing the factors of production essential to becoming more competitive. Depending on each country's situation, donors can play a major role in helping the poor gain access to land or property (e.g., property titling systems), capital (e.g., microenterprise lending), labor (e.g., education and training as well as enforcement of labor standards and providing for interest-based dispute resolution), and improved capacity for technology acquisition, adaption, and transfer in agricultural and non-agricultural product markets for which a country has greatest comparative advantage.<sup>11</sup> Investment in these areas, along with "doing the right things" on the macroeconomic policy and regulatory reform fronts, is vital if donors and governments are going to strengthen the ability of the LDC poor to share the benefits of enhanced trade and growth.<sup>12</sup>

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<sup>11</sup> See David D. Bathrick, "Fostering Global Well-Being – A New Paradigm to Revitalize Agricultural and Rural Development," Food, Agriculture, and the Environment Discussion Paper 26 (International Food Policy Research Institute, September 1998).

<sup>12</sup> It should be noted that the recent Asian financial crisis has shown that increased integration with the world economy, with its corollary enhanced instability and volatility in the absence of proper financial oversight, can adversely affect LDCs' vulnerable populations.

## Review of USAID Trade-Related Activities

A recent survey of all USAID Missions, carried out by the G Bureau, reports that 43 USAID Missions and 8 AID/W operating units have trade-related activities in their portfolios. Trade-related activities are estimated to total \$142 million in FYs 1998 and 1999 combined and \$139 million in FY 2000. The top three trade-related priorities are activities related to: WTO accession and compliance; various forms of fiscal, legal, regulatory and customs reforms; and competitiveness enhancements.

In addition to assisting LDCs be more integrated in the WTO multilateral trading system, USAID has been providing technical assistance to country members of numerous regional trade arrangements – e.g. Free Trade Area of the Americas (FTAA), Caribbean Common Market (CARICOM), Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Community (SADC), West African Economic and Monetary Union (WAEMU) and East African Community (EAC). Under those regional trade arrangements, USAID assistance includes identification of opportunities and coordination of negotiating positions, compliance with requirements for entry into destination market and cost reduction as well as efficiency improvement of transportation and telecommunications.

## Conclusions and Guiding Principles

Should WTO and trade-related issues become a priority for AID, supplemental funding is called for. While current USAID activities in these areas are integral parts of country strategies, they may not be directly supportive of either the USG WTO agenda or the AID poverty alleviation objective. A critical review of those USAID activities should be contemplated. While undertaking that critical review, it is important to bear in mind the following guiding principles:<sup>13</sup>

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<sup>13</sup> Some of the following principles are drawn from J. Michael Finger and Philip Schuler, "Implementation of Uruguay Round Commitments: The Development Challenge," IBRD draft paper (October 1999).



- The promotion of trade and trade openness is just one element, albeit an important one, of the growth and development agenda.
- To enable the LDC poor to share the benefits of enhanced trade and growth, LDC governments should help them achieve improved access to markets, public services and education/training opportunities.
- LDC needs for technical assistance in the areas of WTO accession and compliance are extensive – going from customs evaluation to sanitary and phytosanitary standards to intellectual property rights - and costly.
- Accession to and compliance with WTO will heavily tax the absorptive capacities and financial resources of LDCs.
- Provision of technical assistance cannot be piecemeal. It makes no sense to assist a LDC to, for example, become WTO-compliant in customs valuation if it takes the WTO-compliant products six months to clear customs and the port authority because of archaic and less-than-transparent port clearance procedures and non-performing officials.
- Technical assistance should be viewed holistically to cover both specific and broad technical problems as well as human resource and institutional problems. In the case of WTO-compliant customs valuation, there will a need to provide assistance on computerization, valuation procedures, cargo control, building refurbishment, administrative reforms, screening for drug interdiction and legislative reforms.
- Donor coordination is a necessity because of the magnitude of the technical assistance and its cost.
- While USAID employees should be trained on WTO matters and gain more familiarity with the WTO Integrated Framework, the decision to either adhere or not adhere to the IF in the provision of technical assistance should be determined by its usefulness to field managers.





## THE AGRICULTURAL TRADE ROUND AND THE DEVELOPING COUNTRIES

*The next round of agricultural negotiations will resume where the Uruguay Round (1986-1994) left off. The new round will attempt to negotiate multilateral reductions in farm subsidies, export subsidies, and tariffs and quotas. The Uruguay Round negotiations did not succeed in curbing developed country government policies which provide domestic support to farmers. While developing countries which import food benefit in the short-run from the export subsidies, both practices harm economic development of the developing countries.*

*However, the developing countries have defined few common interests for the upcoming negotiations.<sup>1</sup> The more successful developing countries, principally in Latin America and Asia, want to have greater access to developed country markets. The low income, food deficit countries, such as the North African countries, (Egypt, Morocco, Tunisia) are concerned about subsidy reductions since this could raise their import prices. The African countries are most likely to raise capacity-building and technical assistance needs to develop all aspects of their agricultural sectors and promote food security.*

*Due to low prices and farm pressure groups, the developed countries have been unable to advance the reform agenda at home. Farm subsidies and export subsidies and credits remain important in Europe and the U.S.*

<sup>1</sup> The diversity of developing country interests in the next agricultural round is the subject of an excellent paper by Alberto Valdes and Alex F. McCalla, "Issues, Interests and Options of Developing Countries," Paper prepared for Conference on "Agriculture and the New Trade Agenda from a Development Perspective: Interests and Options in the WTO, 2000 Negotiations," Geneva, Switzerland, October 1-2, 1999.

### Introduction

Agricultural trade will be one of the principle topics in the Seattle Round of multilateral trade negotiations. This Background Paper describes the prospects for the next agricultural trade negotiating round, the stakes for the developing countries in the round, and USAID's role in providing trade-related technical assistance to the developing countries. Although the Uruguay Round (1986-94) established important principles for the reform of agricultural trade, many distortions caused by government policies still remain to be eliminated and standards need to be applied that facilitate trade. Successful multilateral negotiations will help developing countries to participate in the global trading system according to their comparative advantage as agricultural producers. This will result in improved food security and higher farm incomes. Estimates of the income gains to the developing countries from full trade liberalization are in the \$25-30 billion range annually, and are skewed towards the better-performing countries.

### Organization of the Negotiations

The World Trade Organization (WTO) provides an institutional setting for negotiating multilateral reductions in market access barriers for agriculture. WTO was created at the end of the Uruguay Round (1986-94), and is the successor to the General Agreement on Tariffs and Trade (GATT). GATT focused primarily on trade in industrial goods. GATT did not officially acknowledge the interrelationships between domestic farm policies and agricultural trade policies. The Uruguay Round was the first trade round to address domestic farm subsidies as the underlying cause of agricultural trade distortions since they stimulated production through non-market means. The Uruguay Round brought domestic agricultural policies under international rules for the first time.

WTO also brought agricultural trade under multilateral rules for tariffs, quotas and export subsidies. The purpose was to have rules which are predictable and transparent. WTO is committed to trade liberalization and the Uruguay Round applied formulas to achieve reductions in price-based measures. However, it left wide latitude to national governments regarding the magnitude of tariff

reductions and other commercial policy changes. In addition to this discretion, slippage in applying the formulas and exemptions for developing and especially least-developed countries also have left uncompleted the reforms in agriculture.

## The Extent of Trade Distortions

Despite the Uruguay Round's accomplishments, commercial sales of food and agricultural products around the world continue to be adversely affected by trade-distorting government policies. Such policies include market access barriers (tariffs and quotas), export subsidies and domestic support (farm subsidies) which stimulate excess production. These distortions are the result of the developing countries' own poorly informed policies as well as trade barriers set up by other countries (developed and developing).

The reduction of trade barriers in the developing countries and their trading partners should be the principal focus of the next agricultural trade round. In quantitative terms, tariffs globally in agriculture are 5-10 times higher than the level of industrial tariffs. The agricultural tariffs of the developing countries are 3-5 times the level of the developed countries. The Uruguay Round also provided for the use of Tariff Rate Quotas (TRQs). TRQs apply prohibitively high tariffs when import volumes exceed base quota levels, which also restricts trade.<sup>2</sup>

G/EGAD has prepared another Background Paper: "Trade Economic Growth, and Poverty Alleviation," which discusses the global economic gains from the liberalization of agricultural trade. The gains from multilateral trade liberalization to the global economy would be large. Economic assessments of the global economy have shown that the efficiency gains of partial agricultural trade liberalization would be in the range of \$100 billion dollars.

<sup>2</sup> Tariff rate quotas operate as a limit or a quota on the quantity or value of imports of specific products allowed, for a given period, under the normal tariff, whereas higher rates are charged on imports which exceed the quota. Cf. Joseph F. Francois and Kenneth A. Reinert, *Applied Methods for Trade Policy Analysis. A Handbook*. Cambridge: Cambridge University Press, 1997, p. 68.

Approximately 25-30% would be in the form of greater incomes in developing countries, based on expanded agricultural production.<sup>3</sup> The further increase in trade also would reinforce direct foreign investment in the developing countries.

## Benefits of Liberalized Trade in Agriculture

With freer trade, food and agricultural products would be domestically available at international prices. Domestic food availability at world prices would benefit the developing economies and the U.S. in the following ways:

- contribute to food security by lowering consumer food prices, reducing the price volatility by expanding the size of the market, and increasing real incomes of the poor;
- increase total U.S. commercial agricultural exports;
- benefit the rural poor in least-developed countries by shifting low income labor resources out of agriculture into sectors where they are more productive;
- shift other land and capital resources in the agricultural sector toward production of high-value crops, based on the country's comparative advantage;
- encourage direct foreign investment and joint ventures and greater competition within the agribusiness sector in least-developed countries. This would have spillover effects for technology adoption and sales of U.S. farm and post-harvest food processing technology.

## Status of the Negotiations

The detailed agenda of the upcoming agricultural trade round is still being negotiated. The parties' positions are not yet fixed. The agenda will certainly involve the three trade-distorting policies: trade (tariff and non-tariff) barriers, domestic farm subsidies, and export subsidies. While food safety and biotechnology are important public issues, it is

<sup>3</sup> The WTO Secretariat, *Guide to the Uruguay Round Agreements*. The Hague: Kluwer Law International, 1999, pp. 259-268.; Joseph Francois and Bradley McDonald, "The multilateral trade agenda: Uruguay Round implementation and beyond," Center for Economic Policy Research Discussion Paper no. 1533, January, 1997.



unsure whether these will be negotiated in the next round since some believe they are already covered adequately by the existing WTO agreements. The U.S. and its major trading partners are currently holding discussions on this issue. USTR is leading the discussions in the U.S. Government about whether and how the agenda will cover Sanitary and Phytosanitary (SPS) regulations, trade in genetically-modified organisms (biotechnology), and other technical barriers to trade. It is not yet decided if these controversial items will be on the official negotiating agenda.

For the first time, WTO provides for binding resolution of trade disputes, which is designed to encourage amicable resolution of disputes. Most of the proposed and potential agenda items are the subject of current trade disputes. In conducting the negotiations, nearly all countries will be concerned with non-trade issues, such as:

- The economic viability of rural communities which depend on agricultural incomes;
- Price volatility in global agricultural markets;
- Balance of payments effects of trade liberalization;
- Public concerns about food safety; and
- Buffer stocks and food security.

Again, whether these items will appear on WTO's negotiating agenda for the next round is to be determined.

In September, 1999, the G-77 group, representing the developing countries, advanced a proposal for all imports from the least-developed countries to enjoy duty-free entry into the developed countries.<sup>4</sup> The G-77's proposal does not require any reciprocal, market access concessions by the least developed countries, however. The G-77's proposal has

<sup>4</sup> "A Decision is required to institute a system of tariff bindings at zero rates by developed countries, for products originating in Least Developed Countries (LDCs), 33 of which are in Africa. From: Statement of the OAU/African Economic Community Conference of Ministers of Trade on the Third World Trade Organisation (WTO) Ministerial Meeting, Seattle, USA, November 30-December 2, 1999, September 24, 1999

worked its way into the Ministerial text of the next round. The U.S. and the EU oppose key provisions of this proposal. The U.S. is enjoying high economic growth and low unemployment. However the willingness of the U.S. to grant agricultural trade non-reciprocal concessions at this time is adversely affected by the U.S. foreign trade deficit, the declining surplus in the farm trade account, and historically low farm prices. The players in U.S. trade negotiations, from the Administration and Congress will insist that the developing countries open their doors to U.S. agricultural exports as a condition of accepting the G-77 proposal for duty-free market access.

## USAID and Technical Assistance

USAID's niche in the U.S.'s WTO activities is the provision of technical assistance to the developing countries. One of the results of the Uruguay Round was the Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least Developed and Net Food-Importing Developing Countries. The Decision mandates the U.S. to give "full consideration" to requests by Least Developed Countries and Net Food-Importing Developing Countries for technical and financial assistance for the improvement of their agricultural productivity and infrastructure. Pursuant to this Decision, USAID's annual spending on agricultural development is reported to the WTO's Committee on Agriculture.

Additionally, USAID has provided technical assistance related to agricultural trade. USAID's assistance has been primarily concerned with implementing existing agreements. The World Bank has been the principal source of assistance for help with negotiating new agreements. According to the USAID WTO/Trade Survey dated 11/99, 27 missions provided trade-related assistance in the field of agriculture, and 23 missions gave assistance related to the Sanitary and Phytosanitary Agreement. Given the nature of the economies of the developing countries, other USAID trade-related activities were focused on agriculture.





## GENDER AND TRADE

*USAID's strategy for sustainable development and its Gender Plan of Action clearly articulate a commitment to take account of gender in all policies, programs, and activities, with the goal of improving women's status and promoting gender equity. This strategy is consistent with the issues raised by women's NGOs and advocates at the Seattle Ministerial, in their call that gender and the impact of trade liberalization for women be considered as factors in defining trade policy. As USAID moves forward with activities to assist developing countries in strengthening their capacity in global trade, particular attention will be given to addressing gender issues in the program.*

*Systematic differences in the economic activities of men and women mean necessarily that they are affected differently by globalization and trade liberalization. Collection and analysis of sex-disaggregated data are essential to understanding the differentiated effects of trade on women's and men's employment, production, economic status and decision-making.*

*The recommendations for USAID to effectively incorporate gender considerations in its program for capacity building include three key (1) Ensure the collection of sex disaggregated baseline data to assess the impact of new trade rules. (2) Ensure that the question of impact on women and on gender equity is included in monitoring the impact of trade policies. (3) Include activities to address the gender-based constraints to trade expansion, as well as measures to correct negative effects uncovered through monitoring.*

### Introduction

Systematic differences in the economic activities of men and women mean necessarily that they are affected differently by globalization and by trade liberalization. These differences by gender are neither straightforward nor uniform, nor simply positive or negative. Not all women are affected

by trade liberalization in the same way merely because they are women.

At the same time, **trade policies are not "gender neutral."** Changes in a country's exports and imports have different impacts on employment and conditions of work for women and men, as well as consequences for women's unpaid labor in the household.

Likewise, gender-based constraints, like lack of education and training for women, or limitations on women's time and mobility, affect a country's competitive stance and may compromise its capacity to take advantage of new trade opportunities. Gender implications have generally not been considered in international trade negotiations.<sup>1</sup> The overriding issue presented by women's NGOs and advocacy groups at the initiation of the Seattle Ministerial is a call for attention to gender as a factor in trade policy and to the impact for women of actions within key agenda items. Women's NGOs and advocates seek a "gender-aware approach" to trade expansion and liberalization not only to reduce constraints to trade but also to ensure that trade policies contribute to increased social equity and poverty reduction. Among international development organizations, UNIFEM has offered particularly strong support in exploring these issues.

Collection and analysis of sex-disaggregated data are essential to understanding the differentiated effects of trade on women's and men's employment, production, economic status and decision-making. Because of the complexity of the issues, data collection and gender analysis need to be country and region specific.

This call for consideration of gender issues is entirely consistent with USAID policy. USAID's strategy for sustainable development and its Gender Plan of Action clearly articulate a commitment and methodology to take account of gender in all policies,

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<sup>1</sup> A major exception to this statement is the APEC Ministerial on Women in the Global Economy held in the Philippines in October 1998. The Joint Ministerial Statement calls on APEC Leaders to (1) recognize gender as a cross-cutting theme in APEC; (2) Place a high priority on the collection of sex-disaggregated data, and (3) Implement gender impact analysis of policy, program, and project proposals as an integral component of APEC decisions, processes and activities.

programs, and activities, with the goal of improving women's status and promoting gender equity.

With the expansion of USAID-supported programs for trade liberalization, these methods to ensure gender integration, and lessons learned through on-going activities about differential impacts for men and women, will be incorporated into emerging policies and activities.

#### Implications of Gender Analysis for Select Trade Agenda Items

Gender analysis of trade policies begins with an understanding of women's and men's current economic activities and status, and of gender differences in access to factors of production. Analysis continues by asking how new trade policies and outcomes will affect the gender division of labor and women's income earning capacity. Although the particular roles and relationships between men and women vary by country, region, and economic sector, development experience and research point to broad characteristics of women's economic status across developing countries that affect the impact of liberalized trade for women. These characteristics serve as the starting point for women's advocacy groups in defining their positions for potential agenda items in the upcoming round of WTO negotiations.

- Women are a growing majority of the workforce in export industries and in export processing zones. Worldwide, women dominate as employees in the textile and clothing sector. Women's employment appears to be growing with the expansion of the service sector.
- Women predominate in the informal sector, producing goods that are often extremely sensitive to external competition. As entrepreneurs, women are more likely to own micro-, small, and medium enterprises rather than large businesses.
- Women are agriculturalists. In many parts of the world, they are the principal producers of domestic crops as well as laborers in production of export crops.
- As those bearing primary responsibility for child care and household maintenance women are affected by trade liberalization

as consumers, both in terms of the availability of goods and in government provision of services. Increasingly, poverty is a problem of women and their children.

## Employment and Labor

The expansion of manufacturing exports from developing countries has contributed to a significant increase in income-earning opportunities for women, especially in Asia and Latin America. Women are the majority of workers in free trade zones and are widely recruited by local subsidiaries of transnational corporations. Widespread employment of women also is seen in agribusiness and food-processing as well as in a variety of services, including finance, tourism, and information processing. These former export sector jobs are supported by an even larger cadre of workers, predominantly female, in the informal sector through sub-contracting and homework.

On balance, this "feminization of the manufacturing work force" in export industries has the strong potential to improve women's status and gender equality. Increased income-earning opportunities are a clear path to poverty reduction. Greater employment opportunities may lead to improved individual status and increased authority in the household for women. The phase out of the Multi-Fiber Agreement is of particular interest to women's organizations because it should lead to additional and improved employment opportunities in the exporting countries.

At the same time, this strongly positive assessment is tempered by caution about several issues that require attention and analysis:

- Serious questions have been raised about the stipulation and enforcement of labor standards as they affect women workers, particularly in the free trade zones, and as applied to sub-contractors and homeworkers.
- Evidence suggests that while individual women workers benefit from income-earning opportunities, these opportunities contribute little to correcting broader gender inequalities. In general, wage and earnings differentials between men and women and gender-based occupational segregation are duplicated and reinforced in the export manufacturing sector.



- Employment patterns should be monitored over time. Recent studies in the Mexican *maquilas* and elsewhere suggest recent shifts in the composition of the labor force in export manufacturing. A change in the balance of employment of men and women in manufacturing will have repercussions elsewhere in the economy, such as availability of labor for agriculture, patterns of external migration, and human resource training requirements.
- Employment gains in one place through trade liberalization may lead to elimination of jobs elsewhere. Monitoring data are needed to know what jobs are lost and to assess the economic and social impact of their demise. What effect does this shift have not only on individual men and women but also on gender equity and the division of labor elsewhere in the economy?

## Entrepreneurship

Little is known about the impact of trade expansion and liberalization on employers and employees in the informal sector and among small and medium enterprises in the formal sector. Most women-owned enterprises fall into these categories. Theoretically, the effects would be expected to vary with industrial and regional circumstances. Increased export production may contribute to expansion of small businesses and the informal sector through sub-contracting and multiplier effects. On the other hand, import of inexpensive consumer goods may displace micro-entrepreneurs and employees in the informal sector. Small and medium businesses may be unable to match low costs of production due to economies of scale of transnational corporations.

- Women's organizations point to the need to monitor changes in income and jobs for men and women in the informal sector, as a necessary step to formulate policies and design programs that will minimize negative impacts and, alternatively, support positive opportunities. The current monitoring

of micro-lending activities supported by USAID and other donors may serve as a base and model for this assessment.

- Issues related to proposed agreements on liberalization of investment and government procurement are raised in this context. Concerns about the comparative advantage of foreign investors relative to domestic investors in developing countries are multiplied for women-owned and small businesses. Because of existing disparities between men and women in most developing countries in access to credit and security of property tenure, women in business and agriculture may be in a particularly precarious position relative to foreign investors and transnational corporations.
- Likewise, critics argue that open and transparent procurement, treating foreign and domestic providers the same, will reduce the access of small domestic businesses and businesses controlled by women to government contracts. In the U.S., small business and minority- and women-owned preferences have been used as a tool to help get small businesses off the ground.

## Agriculture

In most developing countries, particularly in Africa, a high proportion of agriculturalists are women. In many regions, women are the predominant food producers. For this reason, the costs and benefits for developing countries of trade liberalization in agriculture, in both economic and social terms, can only be fully assessed through gender analysis. The gender dimension in the effects of trade liberalization in agriculture grows out of differences in the crops grown by men and women, differential access and control of agricultural resources, especially land, and variations in employment opportunities for men and women. Differences in gender roles in agriculture are intimately linked to the impact of trade liberalization on food security.

Ideally, trade liberalization may be expected to shift land and other resources in the agricultural sector into high value export crop production, and out of lower value crop production for the domestic market. Food prices for consumers will be reduced through increased imports and imposition of the world prices for food products in the local market.

Under this scenario, women are less likely than men to benefit as farmers. As producers, women tend to be concentrated in the production of food crops for home consumption and the local market, while men tend to dominate in export crop production. Inequity in access to and control of land and other agricultural resources may further erode women's role as agriculturalists.

On the other hand, in some regions, increases in cash crop production and growth of agribusiness may generate new employment opportunities for women, particularly in rural areas. USAID experience in promoting non-traditional agricultural exports in parts of Africa has demonstrated such effects. Rural women also may benefit as consumers through lower food prices and potentially increased availability of food.

- Sex disaggregated data, describing the baseline distribution of access to resources, crop production, and marketing as well as changes in these factors as new policies are implemented, are required to monitor impacts on production, household income, and poverty.
- Attention needs to be given to the resource access factors that affect the competitive position of female farmers in developing countries, and to the domestic policies (especially property rights) required to level the playing field.
- If domestic food crop production is reduced, the issue of food distribution, its impact on poverty, and adequacy of the social safety net is raised. Female subsistence farmers, for example, may not be in a position to take advantage of reduced consumer prices.

## Household Management and Consumption

Experience over the past decade, particularly in Latin America, emphasizes that the benefits of trade liberalization for sustainable development rest not only on economic growth *per se* but on broad-based and equitable growth. The nearly universal division of labor between men and

women, assigning household management and childcare responsibilities to women, presents a clear gender dimension to assessing the impact of trade liberalization in terms of well-being and poverty reduction. The impacts of trade at the household level, however, are indirect, as the aggregate, macro-economic effects are modified by domestic social policies.

Broadly, liberalized trade is expected to expand the quantity and variety of goods available to consumers. Expanded product markets should result in lower prices and therefore an increase in real income. To the extent that poor households are able to access these markets their level of living should improve. Some households will not benefit from expanded consumer markets, either because they do not purchase many goods or because reduced consumer prices lower their incomes. As noted earlier subsistence farmers in isolated rural areas, and micro-entrepreneurs who rely on sales in the local market may be adversely affected. Women and female-headed households often predominate in these groups.

Analysis similar to that used to assess the social impacts of structural adjustment policies is needed to understand the process through which trade liberalization affects social equity and to provide a basis for designing domestic policies to address these issues. Sex disaggregated data on poverty, employment and unemployment, income, and access to social services, are necessary to monitor these impacts over time.

Questions raised by women's organizations about the impact of trade relative to women's domestic responsibilities illustrate the types of gender-based analysis that emerges in this realm.

- Structural adjustment policies implemented over the past two decades have led to a reduction in government social services, which often has required a compensatory increase in women's domestic responsibilities. Women's advocates suggest this pattern may intensify if a government's revenues decline due to a reduction in tariffs based in new trade agreements.
- Liberalized trade has generated new jobs for women but expectations about domestic responsibilities may constrain women's access to these jobs. To what extent can services (childcare, health) be provided (public or private) to support women's paid employment?



- At the macro-level, liberalized trade creates new employment that offsets job loss, and lower consumer costs offset the loss of locally produced food and goods. At the micro level, job loss and gain do not necessarily occur in the same place, or affect the same workers. Job segregation between men and women is one factor that determines winners and losers. To what extent will the new trade rules eliminate affirmative actions designed to break down these barriers?

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### Current USAID Activities and Recommendations

Attention to the differential effects of programs and policies for men and women in developing countries is central to USAID programs. Programs in girls' and women's education; micro-enterprise development, and support to small and medium enterprise and non-traditional agriculture illustrate on-going USAID activities relevant to gender-based concerns in trade liberalization. USAID policy also emphasizes the necessity of monitoring the impact of programs through the use of sex disaggregated data and indicators.

As the agency moves to a more concerted role in providing assistance to developing countries to increase their capacity to participate in global trading systems, assistance in integrating gender as a factor in trade preparation should be a part of capacity building programs. USAID can contribute to ensuring a gender-aware approach to trade expansion through:

- Recognizing social development as an essential component of sustainable economic growth and development, and using criteria related to quality of living, health, education, and poverty in assessing proposed trade policies;
- Seeking to remove barriers to growth and trade expansion in developing countries that are grounded in the gender-based division of labor (e.g., constraints on women's time and mobility), and to eliminate constraints of systematic gender bias and discrimination (e.g., disparities in education and human capacity development.)

- Encouraging policies that contribute to gender equity, or at a minimum, those that do not exacerbate existing gender inequality.

These ends cannot be achieved without information and analysis. The initial tasks for USAID, in its work with developing countries are to:

- Ensure the collection of gender disaggregated baseline data on a country and regional basis to assess the impact of new trade rules;
- Ensure that the question of impact on women and on gender equity is included in monitoring the impact of trade policies at the country and regional level; and,
- Include activities in its capacity building programs to address the gender-based constraints to trade expansion, such as reform of land tenure policies or access to education and training for girls and women, as well as measures to correct negative effects uncovered through monitoring.





## TRADE AND LABOR AT THE WORLD TRADE ORGANIZATION: THE ROLE FOR USAID

*The USG proposal for a WTO Working Group on Trade and Labor is prompted by a number of factors: (1) the assurances demanded by American consumers that the goods that they purchase in the marketplace are not made under abusive working conditions; (2) the WTO has responsibility for the international trading system and, therefore, has a responsibility to considering the issue of the relationship between trade and core labor standards; and (3) insufficient data exists to support more definitive action by the WTO at this time.*

*For USAID, an agency whose success is in part contingent upon the ability of host countries to succeed in the global economy, the issue is how to support workers' rights in conjunction with sustainable trade development. This is not unfamiliar territory for the Agency but the WTO debate offers a new avenue for achieving this objective.*

### **The U.S. Government Position**

At the Seattle Ministerial of the World Trade Organization (WTO), the U.S. government (USG) will advance its proposal for the establishment of a Working Group on Trade and Labor. This proposal represents an effort to create an internal mechanism as a first step toward addressing the issue of workers' rights in an open and global trading environment. Related to the proposal, the USG will also seek support for awarding observer status to the International Labor Organization (ILO), a relationship already enjoyed by the World Bank, the International Monetary Fund, and the UN Conference on Trade and Development. These actions reflect the latest attempt by the USG in its decades long history to develop a formal linkage between multilateral trade agreements and labor standards.

In December of 1996, at the last ministerial meeting of the WTO in Singapore, members reaffirmed their support for the "observance of internationally-recognized labor standards" but declined to assume a more active responsibility for promoting members' compliance, preferring instead to defer to the relevant expertise of the ILO. The oldest of the specialized agencies under the umbrella of the United Nations, and with tripartite representation of governments, employers, and worker representatives, the ILO was chartered in 1919 at the conclusion of World War I to promote international regulations of conditions of work, recognizing that it was "urgent to improve working conditions of large numbers of people, as injustice, hardship, and privation produced such unrest that the peace and harmony of the world were imperiled." The preamble to its constitution remains eerily relevant to today's debate on core labor standards, acknowledging the interdependency between nations from the perspective of working conditions by stating, "the failure by any nation to adopt humane conditions of labor was an obstacle in the way of other nations which desired to improve conditions in their own countries."

Whereas the ILO has the substantive qualifications for leadership with regard to labor issues, it is the WTO that has responsibility for the promotion of a liberalized international trading system. The impact of trade on labor standards clearly falls within the intersection of the jurisdiction of the two organizations. It must also be noted that the ILO currently has no enforcement mechanisms and may not impose obligations on its members beyond regular reporting requirements, limited investigative authority, and moral suasion.

It is the opinion of the Clinton Administration, therefore, that more concrete actions such as the establishment of the Working Party and institutionalization of cooperation between the WTO and the ILO are required in order to ensure that the benefits of free trade are shared by ordinary workers around the world, in the developed countries as well as in the developing ones. According to the U.S. Proposal on Labor Rights, the mandate of the Working Group would encompass an examination of the following issues:

*Trade and Employment:* the effects of increased international trade and investment on levels and composition of countries' employment;  
*Trade and Social Protections:* the relationship between increased openness in trade and



investment and the scope and structure of basic social protections and safety nets in developed and developing countries;  
*Trade and Core Labor Standards*: the relationship between economic development, international trade and investment, and the implementation of core labor standards;  
*Positive Trade Incentives and Core Labor Standards*: the scope for positive trade policy incentives to promote implementation of core labor standards<sup>1</sup>;  
*Trade and Forced or Exploitative Child Labor*: the extent of forced or exploitative child labor in industries engaged in international trade; and  
*Trade and Derogation From National Labor Standards*: the effects of derogation from national labor standards, including in export processing zones, on international trade, investment, and economic development.<sup>2</sup>

It is envisioned that at the end of its first two years of examination, the Working Group, whose actions would be limited to discussion, study, and analysis, would submit a report for consideration at the Fourth Ministerial Conference. This proposal does not require any changes in existing rules governing the work of the WTO and is consistent with the 1996 Singapore Ministerial Declaration. If the WTO does endorse the USG proposal, it would be advisable to work out an effective coordination strategy between the Working Group and the ILO, hence the recommendation for WTO observer status for the ILO.

Although the USG proposal falls far short of advocating for the adoption of a "social

<sup>1</sup> "Core Labor Standards" are generally accepted to include: (1) freedom of association; (2) right to collective bargaining; (3) freedom from forced or compulsory labor; (4) prohibition of exploitative child labor; and (5) non-discrimination in employment. Other standards of employment, e.g., safety and health conditions and levels of minimum wage, are considered to be directly tied to the level of a country's economic development and not a "basic human right."

<sup>2</sup> WTO's Forward Work Programme: Proposed Establishment of a Working Group on Trade and Labor, USG, 10/30/99.

clause"<sup>3</sup>, a stance for which there would be insufficient support, agreement on the formation of a Working Group on Trade and Labor would accomplish the following:

- (1) legitimize WTO discussions on the implications of liberalized trade on employment levels, social safety nets, core labor standards, and labor laws at the level of the nation-state;
- (2) require advanced academic collection and review of empirical data on the connections between globalized trade and employment standards<sup>4</sup>; and
- (3) lay the foundation for eventual action by the WTO if the Working Group concludes that existing rules of trade fail to benefit workers<sup>5</sup>.

## Outstanding Issues

In developing countries, those industries which are competitive in the international marketplace are often extractive of natural resources or labor intensive and it is through low labor costs that they have traditionally achieved their comparative advantage. According to several economic models, adoption of core labor standards is likely in the short run to increase labor costs<sup>6</sup>, therefore, the vast majority of

<sup>3</sup> This term refers to that part of a trade agreement which formally ties trading privileges to adherence to labor standards and is enforceable through economic sanctions. Such a clause is included as a side agreement to the North American Free Trade Agreement (NAFTA), for example.

<sup>4</sup> Current research and analysis is inconclusive and subject to a diversity of interpretations.

<sup>5</sup> Governing documents of the WTO require that any action it takes with regard to imposing sanctions be based upon its own determinations, i.e., it cannot merely accept the investigative findings and recommendations of individual countries, groups of nations, or other international bodies.

<sup>6</sup> There is also evidence, although limited, that a rise in labor standards may be accompanied by economic growth and a decrease in labor costs. This was found in Puerto Rico where an increase in the minimum wage was related to a decrease in worker absenteeism and turnover and in developed countries where an increase in safety and health standards resulted in a decrease in lost work hours due to injuries, workers' compensation costs, and employer-provided health care.

the governments of these countries<sup>7</sup> allege that the U.S. position is merely an attempt to undermine the ability of developing countries to compete and is a form of veiled protectionism<sup>8</sup>. In addition, many of the developing countries often argue that determination of what constitutes acceptable levels of labor standards is a role for national governments and imposition of international standards is a threat to national sovereignty.

The U.S. proposal is also challenged by some industrialized countries and neoliberal economists on the grounds that:

labor standards are determined naturally by the economic development of a country and therefore the market can and should determine the optimum level of labor standards;

economic development, and the attendant rise in working conditions and living standards, is best promoted by more liberalized trade not additional barriers to trade;

social dumping, the lowering of wages and benefits in industrialized countries due to competition from countries with lower wages and benefits, is merely a market-correction of wages and benefits inflated by non-market mechanisms such as collective bargaining agreements;

low labor standards and low wages reflect the relative abundance of predominantly unskilled labor and degree of low

<sup>7</sup> It is important to note that frequently while it is the position of the governments to oppose core labor standards, this does not necessarily reflect the wishes of the general population or the free and independent trade unions within the countries. This is underscored by the fact that in Seattle, the International Confederation of Free Trade Unions, which includes representation from the developing world is expected to support the U.S. proposal and call for an even more aggressive stance by the WTO.

<sup>8</sup> By way of rebuttal, one U.S. study examined the voting positions on anti-child labor legislation of U.S. members of congress from districts with high concentrations of low-skill workers and jobs, those most likely to be threatened by foreign competition and child labor, and found no such correlation.

productivity in developing countries and are not induced by trade;

the United States lacks credibility in seeking to impose adherence to core labor standards on others given its own failure to ratify the relevant ILO conventions (i.e., do as I say not as I do);

forced compliance with core labor standards may in fact have an adverse effect on their intended beneficiaries (e.g., forcing children out of export industries may force them into even less desirable and more hazardous employment in domestic industries); and

adoption of core labor standards will curtail foreign direct investment.

### Implications for USAID

While there are sound economic principles and models to support both sides of the argument surrounding core labor standards, the bottom line for USAID as a development agency committed to the expansion of democratic governments, economic growth, sustainable development, and humanitarian assistance, is to embrace the value of core labor standards and leverage our activities to enable developing countries to achieve them. Furthermore, we have an obligation to the citizens of our own nation who, as consumers, understandably oppose the free trade of goods produced under objectionable labor conditions. As a starting point, we can echo Michael Porter's call to developing nations to identify and build up their *comparative* advantage as opposed to, or if appropriate, in addition to, their *competitive* advantage. A nation whose economic growth strategy uses low labor costs as its fundamental assumption, subjects its people to poverty in a race to the bottom and risks losing foreign direct investment to those economies that invest in human capital and technological enhancements. The marketplace of the global economy places a premium on quality, customization, timeliness, variety, and productivity, criteria which rewards the aforementioned investments.

In fact, USAID already supports some programs and activities which support the objectives of core labor standards, a sample of which are as follows:

- 1) Support for the establishment of the Fair Labor Association (FLA): This not-for-profit organization is committed to providing the public with accurate information regarding the working conditions under which the products they purchase are produced. The FLA represents



the culmination of the work of the Apparel Industry Partnership formed in August of 1996 at the urging of President Clinton as a means to address violations of internationally-recognized labor rights in the apparel and footwear industry in the U.S. and abroad. In April of 1997, the AIP announced a voluntary workplace code of conduct which addressed such issues as the prohibition of child labor and forced labor, workplace discrimination, inadequate safety and health standards, onerous overtime requirements, and the payment of low wages. In November of 1998, the AIP released the FLA Charter which included the details of a monitoring plan for manufacturing facilities, primarily located in developing countries. USAID, with support provided by the Department of States ESF allocation, has entered into a one-year \$739,000 cooperative agreement with the FLA to support its initial start-up and implementation costs.

- 2) Support for the International Labor Rights Fund (ILRF); USAID (G/LAC/DOS-ESF) is providing \$400,000 to the ILRF to develop the capacity of indigenous NGOs and trade unions to monitor and report on workplace conditions and employment standards in two, as yet undetermined, USAID-presence countries, one in Asia and one in the Americas. This program will focus on the apparel and footwear industry and use the AIP code of conduct and monitoring program discussed above. These two mutually-reinforcing efforts capitalize on voluntary, private sector initiatives, respond to the demand-side of the equation, and build the internal capacity of the developing countries.
- 3) A five-year commitment to the American Center for International Labor Solidarity (the Solidarity Center) to nurture, *inter alia*, the development and maintenance of an enabling environment for the adoption and protection of core labor standards. For example, the Solidarity Center program in Bangladesh includes activities focused on training the predominantly female workers in the garment industry to effectively use the Bangladesh labor court system to enforce existing laws that protect their basic rights. Another activity, a regional

program in the Americas, advances the inclusion of workers' representatives in a policy dialogue with business and governments regarding the economic integration of the region, including discussions related to the concept of a social clause in multilateral trade agreements

With or without a WTO Working Group on Trade and Labor, it is incumbent upon USAID to encourage sustainable economic growth in developing countries that benefits workers and their families. Assuming sufficient levels of additional funding, USAID should initiate support, continue to support, or augment support for programs and activities which advance the objectives of core labor standards. In brief, ideas for consideration include the following:

Rule of Law: Support for the fair and speedy resolution of labor disputes, including mechanisms for mediation and arbitration;

Governance: Technical assistance for the development or enforcement of national laws protecting the rights of workers and implementing effective and comprehensive social safety nets;

Civil Society: Further the understanding by civil society organizations, defined broadly to include NGOs, trade unions, and the media, of the relationship between trade and development and on economic theories and their pragmatic consequences;

Political Parties: Providing support for the inclusion of economic issues and workforce issues in public policy-making fora and making them central to national reforms;

Economic Growth: Investing in the human capital of developing countries, providing them with a competitive advantage based on skills vs. low wages;

Child Survival: Explore opportunities for moving children out of workplaces and into schools without causing additional financial burden on their families.



**A REGION-BY-REGION REVIEW OF CURRENT USAID  
TECHNICAL ASSISTANCE PROGRAMS FOR TRADE AND  
COMPETITIVENESS**



**Center for Economic Growth and  
Agricultural Development  
Global Bureau, USAID  
Washington, D.C.**

**November 23, 1999**



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## Introduction

The United States of America makes available technical assistance and services to developing and least-developed countries: (a) primarily through the U.S. Agency for International Development (USAID) and (b) through certain other U.S. Government agencies with specific substantive or sectoral expertise, but usually with USAID funding. Among the latter are: Department of Agriculture Foreign Agricultural Service; Department of Commerce/Commercial Law Development Program and Patent/Trademark Office; and the Department of Treasury/Customs Service.

USAID helps the people of developing nations become participants in the economic and political lives of their nations, supporting policy reforms in key sectors by strengthening economic and political institutions critical to good governance, by encouraging **the effective functioning** of markets, by investing in human resources, and by aiding projects designed to promote **sustainable growth**.

USAID's economic growth and development activities assist in building indigenous institutions and developing policies to promote openness to trade and investment, support agriculture and rural enterprise, strengthen infrastructure and delivery of services, provide adequate incentives for exports, assist tax and tariff restructuring programs, assist privatization of enterprises, simplify and improve transparency of business regulations, avoid inefficient import substitution and unwarranted protection, and strengthen the enabling environment for development of the private sector.

The programs in each country respond to the needs and potentials expressed by public and private sector counterparts. At times, the activities respond to a narrow set of trade-related objectives (e.g. WTO accession or compliance), but often to the larger issues of competitive participation in the global trading system.

Table 1 shows the breakdown of USAID obligations on trade-related technical assistance among WTO-specific, trade-related, and private sector activities.

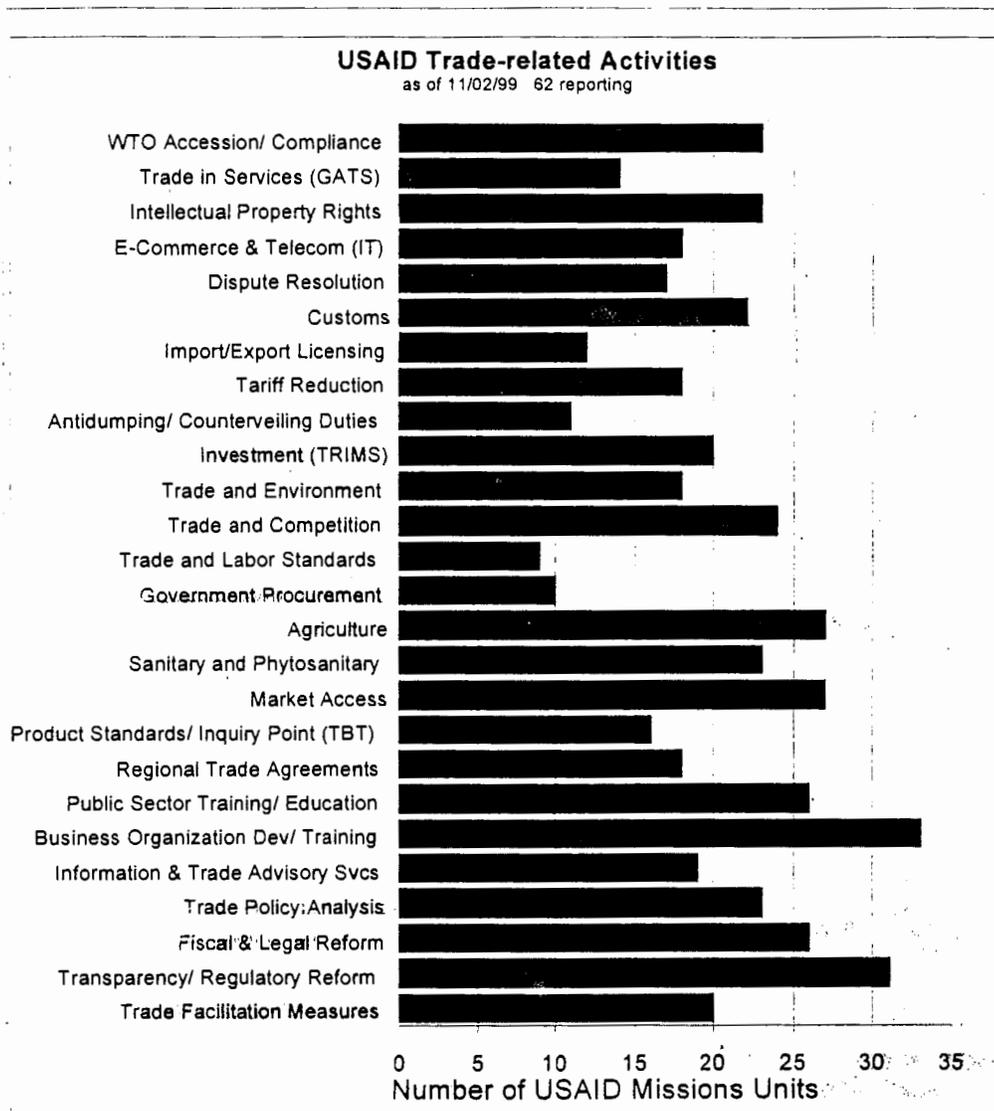
**Table 1**

62 Missions/Op. Units Reporting as of 11/02/99	WTO-specific adherence, compliance, and participation		Trade-related public policy and public sector institutional capacity		Private sector, supply-side response, business-related activities, civil society advocacy		Other trade-related activities	
	FY1998 & 99 (Combined)	FY2000	FY1998 & 99 (Combined)	FY2000	FY1998 & 99 (Combined)	FY2000	FY1998 & 99 (Combined)	FY2000
Estimated Obligations (in millions of dollars)	\$24.3 m	\$28.0 m	\$44.4 m	\$42.1 m	\$57.8 m	\$53.5 m	\$19.9 m	\$20.4 m



This chart below shows which trade-related activities were most often undertaken by the Mission or Operating Unit.

Table 2



The most active USAID missions providing trade-related technical assistance (shown with the number of activities) are in the following countries/regions:

Egypt -- 23  
Central Asia (Regional) -- 23  
Morocco -- 21  
West Bank/Gaza -- 21  
Caucasus -- 20  
Guatemala/Central America -- 20  
Jordan -- 19  
G/EGAD/EM -- 19  
Bulgaria -- 18  
Uganda -- 17  
LAC/RSD -- 16  
Southern Africa -- 16  
South Africa -- 15

All USAID trade-related activities reported in late 1999 total to **\$146 million** for FY 1998 and FY 1999 combined, and **\$144 million** for FY 2000.



## USAID Technical Assistance for African Countries on Trade Policies

The U.S. Agency for International Development's African Trade and Investment Policy (ATRIP) program finances activities to help African private and public sector partners to design and implement policy reforms that will make their countries more attractive to international trade and investment. As part of President Clinton's Partnership for Economic Growth and Opportunity in Africa, ATRIP's strategic objective is to support African leaders who want increase their "openness to international trade and investment"—an important step in achieving a vital and growing economy.

### **Current USAID activities in trade policy, 1998-99**

#### I. WTO Workshops and Symposium

USAID's region-wide programs and USAID's bilateral programs in Mali, Mozambique, South Africa and Uganda are seeking to strengthen understanding of World Trade Organization (WTO) agreements and procedures in Sub-Saharan Africa. A series of short seminars and in-country workshops initiated in 1998 is intended to improve understanding and support in the public and private sector of important aspects of WTO agreements. Some of these workshops have sought to raise general WTO awareness, while others address particular substantive and wider thematic topics (e.g., the Agreement on Agriculture and upcoming negotiations).

##### 1. WTO Awareness Workshops

Workshops for trade ministry and private sector officials, dealing with WTO conventions and related agreements and procedures, have been conducted at several sites. In some cases – Uganda, South Africa, and possibly Senegal – these 1-3 day workshops will be followed up by in-depth technical assistance with specific strategic, legal, or technical requirements that will have been identified at the workshops. For example, following the December 1998 workshop in Pretoria, USAID, USTR, and USDA arranged an additional technical workshop on sanitary and phytosanitary standards that took place in South Africa in September 1999.

USAID has sponsored awareness workshops at the regional level (cosponsored by the Common Market for Eastern and Southern Africa (COMESA): Zambia, December 1998) and at the national level (South Africa, December 1998; Uganda, April 1999; Senegal, August 1999; Cote d'Ivoire, August 1999; Mali, September/October 1999).

##### 2. Workshops Toward WTO Negotiations

Each of the awareness workshops includes some attention to upcoming WTO negotiations on the Agriculture Agreement and other sectors. Increasingly USAID workshops in Africa are seeking to assist Ministry and private-sector counterparts to prepare their own participation in future WTO negotiations. In Senegal, Cote d'Ivoire, and Mali, this has included analysis of trade in agricultural products that may be of particular interest to these countries in the WTO negotiations.

A one-week regional workshop to train WTO negotiators from selected countries of Eastern and Southern Africa is under discussion between USAID and COMESA.

##### 3. WTO Ministerial Conference Symposium

In cooperation with USTR, USAID will sponsor a symposium on donor technical assistance for Africa at the upcoming Seattle WTO meetings. The purpose of the symposium will be to inform African economic officials about available donor technical assistance for African countries. An up-to-date "Resource Guide" will be made available on compact disc and will be provided to all interested delegations. The symposium is scheduled for one of the main WTO Ministerial venues on Monday, November 29, 1999.

## II. Regional Capacity Building in Trade Policy

USAID's Regional Center for Southern Africa (RCSA) in Gaborone, Botswana is providing the Southern African Development Community (SADC) and its **member countries in 1999-2000** with assistance to facilitate their agreement on, and phased implementation of, the SADC Trade Protocol. Other future SADC priorities include market access to developed countries, other trade related technical assistance, and bio-safety, in particular, issues dealing with genetically modified organisms.

In conjunction with USAID's assistance in the implementation of the SADC Trade Protocol, a major USAID activity which began in July 1998 has been to assist Mozambique to complete ratification and negotiation of its terms, as well as to define the requirements for effective implementation of the protocol over the next eight years. Frequent intermittent technical assistance has been provided to the private sector—through Mozambique's Working Group of Associations (Comissao de Trabalho das Associatoes, CTA)—and to the ministries involved in intra-SADC negotiations in order to:

- Give the private sector a comprehensive overview of the terms and implications of the protocols. A broad cross-section of the private sector now realizes not only what the protocol is, but also recognizes the challenges and opportunities that it presents;
- Facilitate a consensus between the public and private sectors to proceed with ratification of the protocol, and to be implemented within an eight year time frame;
- Provide lessons learned from similar activities in other countries;
- Assist the preparation and negotiation (vis-à-vis other SADC members) of Mozambique's proposals and final offers on sensitive, gradual, and immediate lists for removal of tariffs under the protocol.

The current phase of USAID/Maputo's effort is to assist CTA and the Government of Mozambique in the process of ratification and negotiation of the SADC Trade Protocol over the next year, as they develop support among parliamentary leaders prior to ratification of the protocol.

## III. National Capacity Building in Trade Policy

USAID Missions in Mali, Uganda, and Mozambique have initiated trade-policy technical assistance activities in 1999. These programs involve strong coordination between the ministries of trade and industry and the local private sector groups that have most to gain from the alignment of technical standards with international market requirements and from reduced trade barriers.

### Mali

From 1996-98, USAID worked to assist private exporters of livestock and rice to identify opportunities for regional trade and address policy restrictions and technical constraints to these

activities. This project was the catalyst for a private-public sector initiative to crack down on illegal transit fees that continue to impede livestock exports and other trade in the region.

An important element of this year's work has been to assist the Government of the Republic of Mali (GRM) to enhance competition in export markets and expand processing value-added in export sectors. Particular activities have included analyses to address:

- Policy and technical constraints to developing a competitive feed industry.
- Prospects for exports from the textile and garment sub-sector.
- The fiscal burden on transport and its impact on other sectors and on economic growth and trade.
- Financial and land market constraints to private investment in the Office du Niger rice irrigation scheme.
- The impact of the West Africa Economic and Monetary Union's (WAEMU) proposed investment code on investments in Mali.
- Causes of low labor productivity in Mali's industrial sector.

An additional current and on going emphasis has been on assisting Mali to conform to international conventions on trade and investment. This has involved helping policy makers understand the current implications of Mali's obligations to WAEMU and the WTO. Particular activities will include:

- Building the human capacity to strengthen Mali's negotiating abilities in preparation for the next round of the WTO.
- Evaluations of current protection, profitability, and prospects for the sugar and wheat milling industries after reduction of WAEMU and the Most Favored Nation (MFN) trade barriers.

### Uganda

USAID/Uganda is initiating in 1999 an activity "Capacity Building: Uganda Trade Policy". The purpose of the activity is to assist the Government of Uganda (GOU) and the Ugandan private sector in developing capacity to meet obligations agreed to in the WTO, as well similar obligations under regional trade agreements from East African Co-operation (EAC) and COMESA. The activity is expected to help institutionalize the role of the private sector in the formulation of the GOU's trade policy and negotiating positions. The activity is scheduled to start in November 1999. Specialized technical assistance will be provided in the following areas:

#### *WTO-Specific Technical Assistance*

- Customs valuation: procedures and revision of Brussels Definition of Value (BDV) to WTO system.
- Licensing to ensure that current system is consistent with WTO requirements.
- Standards and technical barriers for trade.
- Sanitary and phytosanitary requirements.
- Consistency of local commercial law with WTO requirements.
- Agricultural issues.

#### *Regional Agreements-Specific Technical Assistance*

- Examination of tariff changes
- Product Exceptions of Uganda
- Ugandan interest in other part exceptions.



- Development of rules of origin that avoid trade distortions and maximize advantages to Uganda.

### Mozambique

As part of USAID's work to assist Mozambique with ratification of the SADC Trade Protocol, USAID/Mozambique has been working toward trade policy capacity building that will more generally help to Mozambique to participate effectively in regional and multilateral trade negotiations. The purpose of this effort is to:

- Identify and supply further training and technical advice that may be needed by the recently formed, inter-ministerial Trade Technical Unit, as it seeks to negotiate regional and multilateral trade agreements.
- To assist Mozambique in gaining **greater support for further trade liberalization.**



## USAID Bureau for Asia and the Near East (ANE) Activities in Trade & Investment Liberalization

### **Four bilateral ANE programs—Egypt, Sri Lanka, Indonesia and the Philippines—focus on liberalizing trade and investment policy.**

#### USAID/Egypt

There are currently five projects focusing on trade and investment policy in the particular areas of 1) Agriculture, 2) Competition and intellectual property and 3) Legal-regulatory-judicial framework. Project descriptions follow:

#### I. Commercial Law Development Program (CLDP)

The Commercial Law Development Program (CLDP) started in January 1998 and will end in January 2000. The project funding is \$1.030 million. We plan to extend the program period for another 18 months. CLDP will continue to be funded under The Partnership for Economic Reform Project. The Commercial Law Development Program's activities in Egypt currently include technical assistance and training for the Government Of Egypt (GOE) and the Egyptian private sector on:

- 1) intellectual property rights (IPR),
- 2) government procurement,
- 3) regulatory end quality controls,
- 4) trade remedies,
- 5) World Trade Organization (WTO) conformity and
- 6) Other international trade and commercial law issues.

CLDP's program endeavors to assist the GOE in developing laws, regulations and policies that will lead to an increase in trade and investment. CLDP recommendations highlight the importance of making reforms that are WTO consistent and that will strengthen the GOE's institutional ability to function more effectively within the WTO.

During the last quarter, CLDP conducted:

- 1) Seven technical assistance activities.
- 2) Two conferences were held, the first in Cairo in April on the WTO Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) Agreements, and the second in both Cairo and Alexandria on the protection of computer software in Egypt).
- 3) Three USG IPR experts conducted a two-week training in Cairo in April For officials from the General Organization for Export and Import Control (GOEIC) of the Ministry of Trade and Supply (MOTS) on Trade Related Intellectual property rights (TRIPS) implementation and border enforcement.
- 4) Three study tours were made to Washington, DC. The first focused on transparency in government procurement, the second on developing a contact point under the TRIPS Agreement. The third involved a group of young commercial attaches from MOTS who visited Washington to study USG interagency coordination of trade policy and the WTO Agreements.



- 5) CLDP sent one advisor, Ann Main, to Cairo for one week to discuss trade in services issues with members of the Egyptian Government and interested private sector representatives.
- 6) CLDP sent an advisor to make recommendations to MOTS in the establishment of a WTO Unit within the ministry. Given the necessity to comply with obligations of the WTO Agreements, policy coordination among the ministries in Egypt has become paramount to successful management of multilateral, bilateral and regional trade policies. The basic function of the WTO Unit will be "Help coordinate Egypt's participation in WTO and oversee the implementation of Egypt's WTO obligations".

Upcoming CLDP events include organizing three study tours in the US for three Egyptian delegations. The first will be a study tour on trade remedies and will complement previous in-depth training held in Cairo by CLDP-sponsored USG experts.

Senior investigative experts will study practical ways to conduct cases in line with the WTO Anti-dumping and Subsidies Agreement. Three diplomatic attaches will travel to the US from Ministry of Foreign Affairs (MOFA) for a study tour on USG inter-agency coordination of trade policy and the dialogue between the private and public sector in the formulation of trade policy. As a follow-up to a conference on standards held in Cairo in April, nine GOE standards officials will travel to the US for a hands-on study tour focusing on the harmonization of Egyptian and international standards and the gathering and dissemination of trade-related information required by the WTO.

## II. Strengthening Intellectual Property Rights in Egypt (SIPRE)

SIPRE runs from June 1996 until May 2001. The project total funding is \$5.7 million. The project provides technical assistance to improve the protection of intellectual property in Egypt. Intellectual property includes patents, trademarks, copyrights, industrial designs, consumer protection and the repression of unfair competition. Working in conjunction with the government of Egypt, the project provides support for Egypt's efforts to bring its intellectual property protection into line with WTO standards. There are three main major areas that SIPRE is working in: improvements in the patent, trademark and industrial design offices; improvements in the legal framework for IPR; and provision of adequate resources for the concerned offices. This will help Egypt to create a more positive environment for investment and domestic innovation, encourage growth of the private sector, and promote international trade.

SIPRE is assisting the GOE in the following areas:

- Drafting and amending IPR laws to be consistent with the WTO-TRIPS agreement. This includes, Copyright, Plant Variety Protection, Semiconductor layout Design protection, and the repression of unfair competition.
- Preparing of guidelines and IPR-related legal advice/assistance. These are guidelines for efforts.
- such as the examination of marks and patent applications and determining the novelty of industrial design.
- Modernizing the Industrial Property Offices in order to be up to date with international developments and intellectual property standards. This includes trademark archiving, automation of offices, database for offices.

- Preparing a draft law authorizing the TRIPS Contact Point to take action in certain types of intellectual property cases and guidelines on the types of action that would be appropriate in selected cases.
- Training of GOE employees in regard to IPR issues in accordance with TRIPS agreement.
- Preparing conferences and public awareness campaign concerning the IPR issues.

### III. Development Economic Policy Reform Analysis Project (DEPRA)

The purpose of the DEPRA Project is to support the GOEs economic reform program for trade policy, deregulation, and financial sector strengthening. DEPRA has conducted extensive studies dealing with the effects of tariffs and non-tariff barriers to trade. These include studies on:

- Maritime Port Services.
- Standards & Quality Control
- Review of selected product standards.
- Pre-certification of Import Standards.
- Enhancing Exports/Macro Policies.
- Export Promotion/Micro Strategies.
- Trade Remedies Analysis Automation.
- Effective Rates of Protection,
- Regional Economic Integration.
- Poultry Tariff & Trade Policy.
- Establishing a Product Register in GOEIC.
- Egypt's obligations under the GATT/WTO.
- Forecasting Real Exchange Rate Impacts on Exports.
- Processed Food Exports and European Union/Egypt Trade Policies.
- Economic Analysis of Transportation Rates.
- Trade Barriers to Egyptian Furniture Exports.
- Trade Policy Analysis.

DEPRA plans workshops on the following WTO-related issues:

- Impact of Removing the Ban on Fabric Textiles.
- Trade Policies for Transportation Equipment Manufacturing.
- Enhancing Egypt's Exports to COMESA Countries.
- Review of GOE Policy Reforms.
- Effect on Export Production of Tariff Structure.
- Economic Cost of Custom Clearance Procedures.
- Enhancing the Effectiveness of Higher Export Council's Sector Boards
- Enhancing the Effectiveness of GOE Export Promotion Agencies.
- Development of the GOE Export Promotion Agencies.
- How to Enhance MOTS Trade Policy Analysis Capability.
- Pre- and Post-Shipment Export Financing.

DEPRA's most recent WTO-related assistance is compiling a comprehensive, two volume report about "Egypt: Obligations And Commitments under the General Agreement on Tariffs and Trade (GATT)/WTO Agreements. The report included three appendixes in addition to the main report. First appendix is "Egypt's GATT/WTO Schedules of Tariff and non-Tariff Concessions". Second one is

"Egypt's Schedules of Specific Commitments under the GATT". Third appendix is "Summary Chart for Egypt's WTO Notification Requirements.

#### IV. Agricultural Policy Reform Program (APRP)

The Agricultural Policy Reform Program (APRP) has assisted the GOE in the area of WTO. APRP provided technical assistance to work with the Ministries of Agriculture and Land Reclamation (MALR) and Trade & Supply (MOTS) to ensure conformity with WTO rules and to discuss issues in preparation for the Millennium Round in Seattle. Mr. Anderson gave seminars at the Ministry of Trade, at APRP for the Ministry of Agriculture and at USAID. APRP/TA has contacted and negotiated with the GOIEC TRIPS Contact Point at MOTS to include MALR representation on the management of the Contact Point. Also, to include agricultural IPR concerns on the agenda of contact point concerns (principally breeders rights, plant variety protection, etc.) APRP/TA has sponsored and organized a seminar for policy makers and a training course for analysts from the MALR, MOTS, MPE (**holding companies**) and the private sector on intellectual property rights in agriculture, in the context of the TRIPS agreement. APRP/TA is supporting the development of a ministerial decree on plant variety protection to ensure GOE adherence to the UPOV agreement. APRP/TA has planned (starting September 4, 1999) a study of the technology transfer policy of the Agricultural Research Center and of the AGERI. APRP/TA has launched a study of the impact of the EEC agricultural agreement on Egyptian agriculture. One aspect of this study is to prepare Egyptian positions for the Millennium round in Seattle.

#### V. Subsidy & Dumping Procedures Workshop funded under FT-800 & DEBRA

USAID is funding a conference and a three-day workshop covering "Subsidy and Dumping Procedures" on October 2-5, 1999. The conference will be conducted in cooperation with the WTO, European Community, World Bank and the Anti-Dumping and Subsidy Department within the Ministry of Trade and Supply.

The objective of this event is to provide the participants with the necessary academic and practical knowledge and understanding to be able to deal with the sophisticated anti-dumping and anti-subsidy procedures. Dumping cases are real liabilities to developing countries because they are not acquainted with the laws, regulation, and administration practices in the importing countries. In addition, they lack the experience and experts in confronting the dumping procedures. In addition, these will be among the important issues that will be tackled during the next round of negotiations related to trade remedies under the WTO.

#### USAID/Sri Lanka

USAID is active in the following areas of trade and investment liberalization:

**Intellectual Property Rights (IPR):** Draft amendments to the 1979 IPR law approved by the Government of Sri Lanka (GSL) go far beyond WTO requirements and will provide significant protection to holders of copyrights and patents, particularly with regard to software and related industries. Passage of the law is expected in 1999. Technical assistance provided by USAID through International Executive Service Corp (IESC) was instrumental in helping the GSL draft comprehensive new legislation and in gaining the support of stakeholders for the amendment.

**Agro-industry Policy Reforms:** Agricultural business associations advocated for a series of policy reforms to permit importation of modern seed, genetic material, and productivity enhancing technologies, as well as to standardize tariffs on livestock feed and related machinery.



Many of these reforms were accepted by the GSL as it began drafting its budget proposals for 1999, and are expected to become law in 1999. Progress is also expected on reforms to reduce high tariffs on packaging material. USAID-funded assistance through Oregon State University/Development Alternatives Inc. (OSU/DAI) provided technical support to associations on effective agricultural reform policy dialogue. Such assistance also helped associations, such as the dairy association, identify and avoid advocating protectionist policies that would have made their sectors noncompetitive.

**Private Infrastructure Investment Policies and Practices:** The 51 megawatt privately owned Asia Power Plant was commissioned in June 1998, 10 months ahead of schedule. This project is the first to be implemented by the Bureau of Infrastructure and Investment (BII) and indicates success of USAID technical assistance. Improvements in BII procedures include providing drafts of all agreements to potential bidders and conducting environmental impact assessments prior to the issuance of the tender documents. These steps will further reduce the time between issuance of the tender and completion of the project.

**Environmental Management:** An ISO 14000 User Association was formed with technical assistance through IESC volunteers. The Association will begin holding seminars and workshops to educate business and other groups on environmental standards with only limited technical support from IESC.

### USAID/Indonesia

USAID has provided support for the Indonesian Government's active participation in the WTO for nearly six years—first through its Trade Implementation Policy Project (TIPP) and now through the Partnership for Economic Growth (PEG). That support has included training courses in each of the major negotiating issues of the Uruguay Round, technical assistance in the preparation of Uruguay Round offers, and extensive legal assistance in the preparation of the domestic laws needed to implement the Uruguay Round Agreements. Staff from the PEG project provide briefings to Government officials on WTO notification requirements, the interpretation of various WTO legal agreements, and in preparation for WTO ministerials and committee meetings. The PEG project is also working with Government officials to determine technical assistance needs in support of the upcoming WTO negotiations on agriculture and services. Because of the complexity of the services negotiations, PEG will likely provide general training on constructing offers for the services negotiations and more detailed assistance on selected services sectors.

### USAID/Philippines

The Agile Project addresses trade and investment liberalization in the areas of Agriculture, Telecommunications, Competition & Intellectual Property, and the Legal-regulatory-judicial framework.

**AGILE (Accelerating Growth, Investment, and Liberalization with Equity):** AGILE is a four-year program, financed by USAID, to assist the Philippines in economic policy reforms designed to generate growth, create jobs, and reduce poverty. Philippine government agencies and non-governmental organizations use AGILE's assistance to advance the national agenda for economic policy reform in several areas.

- Stabilizing and deepening the financial sector
- Strengthening fiscal policy
- Facilitating international trade
- Making investment more competitive



- Improving economic governance

**Liberalizing and Expanding Trade and Investment:** The Departments of Trade and Industry, Agriculture, Transport and Communication, and Tourism, as well as the National Economic Development Authority, National Telecommunications Commission, and the Bureau of Customs have all requested AGILE assistance to open up more trade and investment opportunities, increase competition, and reduce the infrastructure-related costs of doing business in the Philippines.

- Improving customs procedures and evaluating tariff policies
- Setting up internationally approved mechanisms to combat unfair trade practices
- Providing protection to intellectual property
- Promoting competition and growth in telecommunications, information technology, air transportation, inter-island shipping, and the energy sector
- Strengthening marketing and trade in agricultural commodities
- Strengthening the government's investment planning capacity

## Other ANE Economic Growth Activities Focusing on Trade and Investment Policy

**Vietnam:** assisted Government of Vietnam drafters of a new Companies Law integrate modern commercial law principles. In addition, the U.S.-Vietnam Trade Council has received a grant from USAID to help the Government of Vietnam develop the policy framework needed to move toward international trade and investment standards. Specifically, the program will improve understanding of four policy areas at the top of the Vietnamese trade agenda. These relate to trade in goods; trade in services; foreign investment law; and intellectual property rights. This work will help prepare the Vietnamese for WTO accession, a bilateral trade agreement with the U.S., and other trade agreements. The work of the U.S.-Vietnam Trade Council will be carried out in conjunction with the U.S. Embassy in Hanoi, the Government of Vietnam, and the Duke University Law School.

**Mongolia:** already one of the most open economies in the world, the USAID advisor in the Prime Minister's office assists in further liberalizing the entire range of trade and investment policies.

**Bangladesh:** helping the Government of Bangladesh meet its WTO obligations, supporting liberalization of agricultural trade policies, and working in concert with the Department of Energy to attract private investment into the gas sector.

**Nepal:** opening up Nepal's hydropower sector to private investment, which already includes two U.S. firms in the early stages of developing hydropower projects

**Jordan:** strengthening the financial system and helping the Government of Jordan meet its WTO commitments, including stricter IPR protection, to facilitate private investment.

**West Bank/Gaza:** support for PALTRADE, the most influential business organization in the West Bank/Gaza, works to increase trade with Arab markets, encourage industrial zone development, link local firms with foreign suppliers, and strengthen administrative capacity of the Palestinian Authority.

## **Regional trade and investment initiative (RTII) for North Africa**

- Provide technical assistance and training to three different target countries: Morocco, Algeria, Tunisia.
- Responds to a State Department initiative to strengthen relations between the U.S. and the Maghreb, increasing U.S. economic presence in a region dominated by European sphere.
- A positive business climate, modern dispute resolution processes, transparent government procurement procedures and strong IPR protection will attract more U.S. companies.
- USAID is already in the process of conducting detailed investment climate studies in these countries.



## USAID Support for Trade and Economic Integration To Latin American and Caribbean

Support for trade and economic integration in the hemisphere is a special objective of USAID's Latin America and Caribbean Bureau under its mandate to support the goals of the Summit of the Americas. At the Summit of the Americas in December 1994, the heads of state of the Hemisphere's 34 democracies united in pursuing greater hemispheric prosperity through open markets, hemispheric integration and sustainable development. They signed the Summit of the Americas Declaration of Principles and Action including a pledge to establish the Free Trade Area of the Americas (FTAA) by 2005.

It was also recognized by the Summit that developing, and especially smaller, economies face important challenges to fully participating in the process of economic integration. Reflecting this, the Summit Plan of Action pledged that "technical assistance will be provided to facilitate the integration of the smaller economies and increase their level of development." USAID has supported this commitment through its Central America Regional Program in Guatemala, the Office of Regional Sustainable Development in Washington, and the Caribbean Regional Program in Jamaica.

In Central America, the Guatemala Regional Program has provided technical assistance, training and research in support of Central America's efforts to reform its regional trade regime. This assistance has contributed importantly to the adoption by Central America of a more outward-oriented regional integration model characterized by lower external tariffs, accelerated implementation of World Trade Organization (WTO) commitments, and reductions in both intra- and extra-regional non-tariff trade barriers.

In the Caribbean, USAID has supported the Caribbean Community (CARICOM) countries' continued participation in the process of hemispheric economic integration through technical assistance to support trade liberalization reforms consistent with meeting WTO obligations in the areas of telecommunications, agriculture and customs. In addition, support has been provided in the formulation of agricultural trade policy.

In South America, support was provided for International Labor Organization (ILO) standards through funding to develop a Labor Inspections Manual and provide training to Labor Inspectors in Paraguay. In the area of competition policy, funding was provided to support the development of anti-trust legislation in Brazil and Argentina, consistent with the Southern Common Market (MERCOSUR) Protocol on Competition Policy.

USAID is working with other donors, regional trade-supporting institutions, and members of civil society in the implementation of trade capacity-building programs.

Illustrative examples of USAID assistance are as follows:

### **Support for International Labor Standards**

- Assistance is being provided to strengthen Central American labor ministries to better enforce labor codes and protect core labor standards and to enhance the ministries' abilities to promote better labor-management relations
- To improve the quality of labor inspections in Paraguay, funding was provided to the US Department of Labor to work with Paraguayan officials to develop a Labor Inspection Procedures Manual and train inspectors on its use.



### **Agriculture & Biotechnology**

- Four CARICOM countries have met their WTO Enquiry Point obligation under the Sanitary and Phytosanitary Agreement and are now assisting the other ten countries to become compliant with the help of USAID and USDA technical assistance and training.
- The Caribbean Agricultural Trade Policy Project provides technical assistance and training to support CARICOM's participation in the WTO and FTAA processes by improving technical and analytical capacity in trade policy, increasing understanding of economic adjustment options and consequences, and raising awareness of benefits from lower trade and investment barriers.
- The Caribbean Food Safety Initiative assists CARICOM members in designing and implementing food safety systems to meet international and U.S. standards. In addition to workshops and technical assistance, a food safety needs assessment is presently being conducted for each CARICOM country to determine future needs.

### **Legal-Regulatory-Judicial Framework**

- Experts from the Federal Trade Commission and the Department of Justice provided technical assistance to Brazil and Argentina to develop anti-trust legislation, provide training seminars, and advise on cases.
- A grant was provided to the Caribbean Law Institute (CLI) to work with the attorneys general in the CARICOM region on the development of commercial legal reforms that will foster sustainable trade. Key areas addressed under the grant are (1) fair competition and consumer protection; (2) dispute resolution; and (3) environmental law.

### **Institutional Capacity Building**

- To increase CARICOM countries' capacity to participate in external trade negotiations, USAID established the Trade Information Network "Virtual Secretariat", an information and communication system which links CARICOM's regional trade-supporting institutions and will soon include member countries' trade ministries. The Internet-based network provides a forum for sharing FTAA, WTO and other trade-related information among members to advance external trade negotiations, assist members in implementing trade liberalizing policies, developing negotiation platforms, and sharing trade-related information.

### **Business Facilitation**

- CARICOM member countries have a better understanding of their commitments under the WTO Customs Valuation Agreement as a result of USAID-funded training and technical assistance provided by the U.S. Customs Service.
- In Guatemala, a scoping study was recently completed on Customs Control & Release Systems in response to interest expressed by the Government for technical assistance to implement a control and release system under their customs administration. The study examines current systems for the control and release of commercial cargo, current insurance practices (related to the bonding/surety of imports/exports), and Guatemalan experience and specific local issues of concern related to customs and control and release systems in particular, and recommends an approach to implement a control and release system in Guatemala.

### **Telecom & E-Commerce**

- To assist Organization of Eastern Caribbean States (OECS) countries in their efforts to open their telecommunications markets and set up a common regulator, funding was provided for a series of workshops for Caribbean telecom regulators. Conducted by the Center for Strategic and International Studies and the Federal Communications Commission (FCC) in the Eastern Caribbean, these workshops advised regulators on key measures needed for market opening and provided training on particular regulatory issues as they relate to electronic commerce and Internet-based services.



## USAID TRADE AND INVESTMENT PROJECT IN KAZAKHSTAN, KYRGYZ REPUBLIC, UZBEKISTAN AND TURKMENISTAN

For the past four years, USAID has been directing a technical assistance project in Kazakhstan, the Kyrgyz Republic, Turkmenistan, and Uzbekistan that assists these Central Asian countries in joining the World Trade Organization (WTO). In this leadership position, USAID has been at the forefront of the region's economic development, as these countries continue to liberalize their trade and investment regimes in preparation for WTO membership. During this period, more than 200 key laws, regulations, and policies have been revised to meet WTO standards in such areas as trade, customs, intellectual property, investment, procurement, standards, and antidumping. Quantitative restrictions, export licenses, price controls, and other constraints have been eliminated. At the micro-level, administrative regulations and systems have been developed to help local officials implement the new policies. Finally, to support these reforms, more than 1,500 government officials, judges, journalists, business persons, and lawyers have been trained in WTO-related policy and legal reforms.

USAID's assistance to these Central Asian Republics have emphasized the following:

### I. WTO Accession Process

WTO accession is a process driven activity. To accelerate this process, it is critically important to identify, coordinate, and manage the numerous procedural steps along the path to full membership. This focus on process management was a key factor in helping the Kyrgyz Republic become a WTO member in record time – the first of the former Soviet Republics to join. The Project's assistance has ranged from supporting the completion of the Memorandum of Foreign Trade Regime and coordinating Working Party meetings at WTO to aiding in the submission of initial offers and facilitating communication during bilateral and multilateral negotiations.

### II. Policy Reform

WTO membership requires compliance with dozens of trade and investment-related legislation, regulations, and practices. From its onset, the Project has been involved in the identification and elimination of constraints to a liberalized trade and investment environment. Over 200 key laws, policies and regulations relating to trade and investment have been modified for WTO compliance.

### III. Institutional Strengthening

The ability of government agencies to implement and enforce legislation and regulations is critical in the continued strengthening of the trade and investment environment. A significant portion of the technical assistance provided under this Project has focused on the development of such institutional capabilities. The Project has provided hands-on training, as well as formal classroom training, to dozens of institutions in the four countries, including the following:

**Overview of WTO:** WTO Agreements; benefits of membership; process for accession; rules and procedures on dispute settlement. Provided to government officials, judges, lawyers, business community, journalists, and university students/faculty in Kazakhstan, the Kyrgyz Republic, Uzbekistan and Turkmenistan.



**Customs Train-the-Trainers:** Nomenclature-harmonized system; customs procedures; and customs valuation. Provided to Customs officials in Kazakhstan, the Kyrgyz Republic, and Uzbekistan.

**Intellectual Property:** WTO Intellectual Property Agreement; intellectual property rights concepts; benefits; and international best practices. Provided to Kyrgyz Parliamentarians.

**Foreign Investment:** WTO Trade Related Investment Measures Agreement and investment legislation. Provided to government officials, business community, judges, and lawyers in Kazakhstan and Kyrgyz Republic.

**Anti-Dumping (AD)/Countervailing Duties (CVD) — WTO AD/CVD Agreement:** Provided to the Antimonopoly Committee in Kazakhstan

#### IV. Relation Building

Key to successful WTO accession is the existence of clear and continual communication between the acceding government and the WTO. Of similar importance is the need for regular communication with all stakeholders involved in the WTO accession process. These parties include relevant ministries, multilateral organizations, donors, contractors, and foreign and domestic investment communities. Since numerous government ministries are involved in the WTO accession – and thus can become roadblocks to membership – it is critical that all major parties have been educated on the benefits of WTO and are committed to becoming a member of the international trading community.

“We are grateful for the Project and for the work done on passing all the stages of the accession process by the [Kyrgyz] Republic to the WTO. The opportune fulfillment of that work resulted in a significantly efficient process which made it possible for the Kyrgyz Republic to join the WTO this year, though many countries have failed to join the WTO within such a short period of time.” Excerpt from a translated letter from Mr. E. Omuraliev, Chairman of the Kyrgyz Republic’s Interdepartmental Commission for Negotiations with the WTO.

“The Government of Kazakhstan would like to thank USAID for their assistance... The activities of the Agency’s Trade and Investment Project in Kazakhstan have made real progress towards the difficult work of economic market reform of Kazakhstan and its entrance into the international marketplace.” Quotes from a translated letter from Mr. V. Sobolev, Vice Prime Minister of Kazakhstan.



## COMMERCIAL LAW DEVELOPMENT PROGRAM, US DEPARTMENT OF COMMERCE

Since 1992, The Commercial Law Development Program (CLDP) of the US Department of Commerce, funded by USAID, has provided technical assistance on GATT/WTO matters to the countries of Eastern Europe and the Newly Independent States. CLDP provides Resident Trade Experts to the respective countries to serve in an advisory role with the leading government ministries of the host government tasked with trade policy and negotiations. Additionally, CLDP conducts short-term programs including seminars and in-country workshops on specific substantive issues. The goal of the technical assistance provided by CLDP is to support the respective governments' efforts to accede to the World Trade Organization (WTO) and to improve the legal climate for doing business in those countries. These programs help to fulfill the US Government's pledge to assist the NIS to develop market-based economies and to become productive members of the international trading community. Some of the current assistance includes the following countries:

### I. RUSSIA

Since 1994, CLDP has supported Russia's efforts to accede to the World Trade Organization by providing the Government of Russia (GOR) with a Resident Trade Expert (RTE). The Resident Trade Expert works on a daily basis with the GOR Ministry of Trade and other relevant Ministries on WTO accession matters. The RTE's work includes:

- Analysis of laws and regulations regarding WTO compliance;
- Counsel to improve the customs regulations and procedures for WTO compliance;
- Regulatory reform in sectoral areas;
- Advice on industrial and regional subsidies in terms of WTO compliance;
- Studies of legislative actions necessary for WTO accession;
- Advising public institutions and private enterprises on the benefits of WTO membership.

CLDP short-term programs encompass all WTO Agreements and issues related to trade liberalization. The following are a sample of recent CLDP short-term programs:

- A one-week training program in March, 1999, in Washington, DC, to assist the Russian Governments' enforcement and compliance with WTO agreements on intellectual property rights;
- A one-week training program in March, 1999, in Washington DC, to introduce methods of coordination between the executive and legislative branches of the Russian Government and between the federal and regional governments on trade policy;
- A two-day workshop in June, 1999, in Moscow, Russia, to assist the Russian Government's implementation of international standards in Sanitary Phytosanitary Measures/Technical Barriers to Trade (SPS/TBT).

### II. UKRAINE

CLDP has supported Ukraine's efforts to accede to the WTO by providing a Resident Trade Expert in Ukraine to work daily with his colleagues in the Ministry of Foreign Economic Relations and Trade (MinFERT). The RTE continues to work with them to help raise awareness of the importance of WTO



accession among senior and mid-level Ukrainian Government officials. Some of the RTE activities include:

- Analysis of laws and regulations regarding WTO compliance;
- Counsel to improve the customs regulations and procedures for WTO compliance;
- Assistance with the procedural requirements of WTO accession;
- Teaching international trade law to young lawyers and government officials;
- Contributing to publications on WTO matters to increase the public's knowledge of WTO issues; and
- Advising public institutions and private enterprises on the benefits of WTO membership.

Specific technical assistance activities also included:

- Workshops at the Ukrainian Parliament (RADA) regarding WTO concepts, obligations, and the importance of passing WTO compliant legislation; and
- A one-week training program in October, 1999, in Washington, DC, for Ukrainian customs, RADA, and patent officials on the enforcement of intellectual property rights.

CLDP will continue to hold seminars and conferences in the coming year to focus on specific areas of the WTO. They will include:

- A cooperative effort between CLDP and the Institute on Legislative Problems to study actions the RADA must take to insure that Ukraine's existing and future legislation is compliant with the WTO obligations.



## GLOBAL TECHNOLOGY NETWORK

USAID's Global Technology Network is a network of domestic and international partners that assist U.S. small and medium size firms seeking access to emerging overseas markets. GTN is operated out of USAID's Office of Business Development and focuses primarily on agriculture, communications and information technology, environment and energy, and health technology. GTN facilitates the transfer of U.S. technology and services to developing countries by matching a local company's development needs with U.S. firms equipped to provide the appropriate technological solutions.

A new initiative of USAID's Global Technology Network is the REGIONAL TRADE INITIATIVES. GTN provides electronic commerce linkages that facilitate domestic and regional trade in USAID-assisted regions worldwide. With USAID regional bureau or mission funding, GTN will install an electronic trade opportunity matching system and a communications network in selected host country organizations, train local staff on their use. The GTN regional initiative complements USAID strategic objectives by creating a permanent link to domestic, regional and US markets.