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LAC REGIONAL

PROJECT PAPER

HEMISPHERIC FREE TRADE EXPANSION

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PROJECT NUMBER: 598-0822

Hemispheric Free Trade Expansion

598-0822

Hemispheric Free Trade Expansion Project

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

APHIS	Animal Plant Health Inspection Service
CBI	Caribbean Basin Initiative
CITEL	OAS Inter-American Telecommunications Commission
C/LAA	Caribbean/Latin American Action
CTIS	Center for Trade and Investment Services
DOL	U.S. Department of Labor
ECLAC	UN Economic Commission for Latin America and the Caribbean
EIA	Environmental Initiative for the Americas
EPA	U.S. Environmental Protection Administration
EPM	Environmental Planning and Management Project
FDA	U.S. Food and Drug Administration
FMCS	Federal Mediation and Conciliation Service
FTAA	Free Trade Area of the Americas
G/CAP	Guatemala/Central American Program
GATT	General Agreement on Tariffs and Trade
GPS	Global Positioning System
HACCP	Hazard Analysis of Critical Control Points
HFTE	Hemispheric Free Trade Expansion Project
IAA	Inter-Agency Agreement
IBN	Interest-Based Negotiations
IBRD	International Bank for Reconciliation and Development
IDB	Inter-American Development Bank
IFDC	International Fertilizer Development Center
IICA	Institute for Cooperation on Agriculture
LTC	Land Tenure Center
MERCOSUR	Southern Cone Common Market
NAFTA	North American Free Trade Agreement
NAPPO	North American Plant Protection Organization
NCFAP	National Council for Food and Agricultural Policy
NGO	Non-governmental Organizations
NIST	National Institute of Standards and Technology
NTB	Non-Tariff Barriers
OAS	Organization of American States
PAHO	Pan American Health Organization
RCO	Regional Caribbean Office
SME	Small and Medium Enterprises
SUSTAIN	Sharing U.S. Technology to Aid in the Improvement of Nutrition
TIAFTA	Technology Institutions for Agricultural Free Trade in the Americas
TIC	Trade and Investment Council
TIPS	Technology Information Promotion System

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TPSC	Trade Policy Staff Committee
UNCTAD	United Nations Conference for Trade and Development
UNDP	United Nation Development Program
USDA	U.S. Department of Agriculture
USGS	U.S. Geological Survey
USTR	United States Trade Representative
WTO	World Trade Organization

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Executive Summary

The five-year \$10.8 million Hemispheric Free Trade Expansion Project (598-0822) is designed to support U.S. trade-related initiatives under the Summit of the Americas. The Project will provide technical assistance to countries throughout the Hemisphere to implement trade-related policy reforms, develop and strengthen technical infrastructure and institutions, advance the formation of the Free Trade Area of the Americas, and address other key aspects of hemispheric economic integration as outlined at the Summit. USAID will carry out this Project in coordination with the Office of the U.S. Trade Representative and other U.S. Government agencies.

The purpose of the Hemispheric Free Trade Expansion Project is to assist Latin American and Caribbean countries remove constraints to participation in a free trade area in order to facilitate environmentally sound and equitable free trade in the Hemisphere. The Project supports the Office of Regional Sustainable Development's Strategic Objective No. 1 which is to resolve key issues impeding environmentally sound and equitable free trade in the Hemisphere.

The Project will have five components which parallel the five Results Packages of SO1. Each component was selected based on an examination of the major constraints to hemispheric free trade expansion. In the implementation of these Project components special emphasis will be placed upon providing assistance to the smaller economies of the region. The five components are:

- 1. Trade Liberalization** - USAID will provide technical assistance to countries to implement reforms removing tariff and non-tariff barriers to trade and harmonizing trade disciplines necessary for construction of the Free Trade Area of the Americas. Examples of component activities include collaborating with the U.S. Department of Agriculture to introduce new sanitary and phytosanitary control procedures, and collaborating with the U.S. Customs Service to upgrade valuation and inspection services.
- 2. Trade Facilitation** - USAID will provide technical assistance to countries to adopt trade-enhancing infrastructure with particular emphasis on telecommunications infrastructure and information networks. Examples of component activities include working with the National Institute of Standards and Technology to develop electronic commerce communication equipment for the LAC region, and working with UNCTAD to expand the network of trade points to secondary cities in smaller LAC economies.
- 3. Trade-Related Structural Adjustments** - USAID will provide technical assistance to countries and industries to strengthen regional market institutions to support trade

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expansion in the Summit Initiative areas including capital markets liberalization, hemispheric infrastructure, energy cooperation, and cooperation in science and technology -- particularly agriculture. Examples of component activities include strengthening financial services to small and medium enterprises, harmonization of private property registration systems to stimulate private sector investment, and introduction of quality assurance programs to ensure export market access by small- and medium-enterprise systems.

4. Trade and the Environment - USAID will provide technical assistance to countries and industries to adopt improved environmental and natural resource management practices as they relate to free trade. Component activities will address such issues as legal and regulatory reforms in support of environmentally sound free trade, pollution prevention, human health risks associated with increased trade, and sustainable management of natural resources with a focus on biodiversity issues.

5. Trade and Labor/Management Relations - USAID will provide technical assistance to countries and industries to adopt improved labor and management relations and practices and support the equitable distribution of benefits which will flow from free-trade-based growth. Component activities will include collaboration with the Federal Mediation and Conciliation Service to expand the use of interest-based negotiation models in resolving conflicts between workers and management

The scope of the assistance interventions will focus on three specific levels of impact: hemispheric, sub-regional, and country specific. The Project is necessarily broad to address the wide ranging requirements of the Summit initiatives. Interventions that are uniquely hemispheric include studies of the telecommunications market throughout the Hemisphere and support for a hemispheric-wide training institution for plant and animal inspection services. Such assistance will be coordinated closely with the Global Bureau to take full advantage of any ongoing global programming. Interventions that are sub-regional may include the integration of airports in the Caribbean region into a hemispheric-wide air traffic control system and support for the introduction of a Central American electronic commerce system. Such assistance will be undertaken only in conjunction with LAC sub-regional programs and bilateral Missions, as appropriate, to avoid any duplication of effort and thereby assure maximum benefit of limited HFTE resources. Interventions that are country specific include providing bilateral advisory services on a broad array of trade liberalization reforms to a countries identified through the inter-agency process and support for a grantee's program in individual countries due to its important regional demonstration effect.

Assistance interventions will be carried out in USAID presence and non-presence countries in order for the project to have a truly hemispheric impact in accordance with the Summit objectives. To achieve this desired program impact, it will be necessary to work with

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subregional and regional concerns, trading groups, and organizations that operate in both presence and non-presence countries.

The activities in these five components will be implemented over a four- to five-year period. Funding resources will be allocated based on priorities as identified at the Summit. Resources will be first made available to the Trade Liberalization activities, followed by the Trade Facilitation activities and the structural adjustment activities which cut across the last three project components. Support is also provided under the HFTE Project for project management, monitoring and evaluation. The Project is designed to be responsive to shifting priorities and emerging targets of opportunity in a politically dynamic process. As such, assistance interventions and funding priorities are subject to change based on the annual reviews conducted by each Results Package Team which will assure that the most important "key" issues impeding trade expansion are addressed.

I. Statement of Problem, Project Purpose and Assistance Interventions

A. Expanding Hemispheric Free Trade and Economic Integration

1. The Summit of the Americas Declaration of Principles

In December 1994, the elected heads of state and government from Hemispheric countries met at the Summit of the Americas to establish a set of principles by which to guide a new "Partnership for Development and Prosperity in the Americas." In formulating two of the four principles, "To Promote Prosperity through Economic Integration and Free Trade" and "To Guarantee Sustainable Development and Conserve Our Natural Environment for Future Generations," all of the nations in the Hemisphere, excluding Cuba, agreed that continued economic progress would depend upon sound economic policies, sustainable development, and a dynamic private sector. More specifically, the United States and its 33 Summit Partners concluded:

"A key to prosperity is trade without barriers, without subsidies, without unfair practices, and with an increasing stream of productive investments. Eliminating impediments to market access for goods and services among our countries will foster our economic growth. A growing world economy will also enhance our domestic prosperity. Free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and better protecting the environment."

Based on these conclusions, the Summit Partners resolved to immediately begin to construct the "Free Trade Area of the Americas" (FTAA). A deadline for the conclusion of FTAA negotiations was set for no later than the year 2005, with an additional goal of achieving "concrete progress" toward the attainment of the objective by the year 2000. This bold initiative in hemispheric-wide trade liberalization, however, is only one of several initiatives outlined during the Summit aimed at accelerating economic integration and guaranteeing sustainable development throughout the Hemisphere.

2. The Summit Plan of Action

To further the broad objectives set forth in the Declaration of Principles, the Summit Partners affirmed their commitment to an immediate and ambitious Plan of Action. Under the principle "Promoting Prosperity through Economic Integration and Free Trade," the Plan of Action contains initiatives in seven specific areas through which efforts to advance Hemispheric-wide economic integration will be focused.

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1. Free Trade in the Americas
2. Capital Markets Development and Liberalization
3. Hemispheric Infrastructure
4. Energy Cooperation [*linked to the Environmental Energy initiative below*]
5. Telecommunications and Information Infrastructure
6. Cooperation in Science and Technology
7. Tourism

Under the principle, "Guaranteeing Sustainable Development and Conserving our Natural Environment for the Future Generations," the Plan of Action contains initiatives in three specific areas through which efforts will be focused.

1. Partnership for Sustainable Energy Use [*linked to the Energy initiative above*]
2. Partnership for Biodiversity
3. Partnership for Pollution Prevention

Each initiative identifies specific implementing actions to be undertaken by the governments in the Hemisphere -- a total of 23 actions in the area of trade and integration, and more than 30 actions in the environmental area. To move forward on the implementation of the Free Trade and Economic Integration initiatives, lead governments were selected to host key follow-on conferences and meetings. Under the leadership of the USTR, governments throughout the Hemisphere have been most ambitious in moving ahead on the FTAA initiatives. In the first six months following the Summit, a series of sub-regional Trade and Investment Councils (TICs) meetings were held to coordinate trade-related actions. At these meetings, trade officials in the Hemisphere prepared a plan of work which was adopted at the June 1995 Trade Ministerial in Denver. The plan of work calls for seven FTAA working groups to begin the preparatory work required to advance the FTAA and report on their progress at the second Trade Ministerial which is scheduled for March 1996 in Cartagena, Columbia. Governments are also moving ahead on other key meetings including a Ministerial conference on capital markets and an international conference on energy use.

In addition to these direct actions by governments to implement the initiatives, the Organization of American States (OAS) and its affiliated organizations are also assisting with the implementation of the Summit initiatives. The Inter-American Development Bank (IDB), the Pan American Health Organization (PAHO), as well as the OAS Special Committee on Trade and the OAS Inter-American Telecommunications Commission (CITEL) are all playing important support roles in the coordination and implementation of the Summit initiatives. Other international organizations such as the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the International Bank for Reconstruction and Development (IBRD) have also begun to coordinate their programs in conjunction with the Summit initiatives.

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3. Constraints to Hemispheric Free Trade Expansion

While it was recognized and affirmed at the Summit of the Americas that free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas, and better protecting the environment, the task of achieving these goals is a formidable one with several major constraints. The most daunting of these constraints are the uneven levels of trade disciplines in the Hemisphere, the lack of access by LAC businesses to trade-enhancing information infrastructure, and the lack of institutions to assist LAC countries with the structural economic adjustments they will face as a result of the rigors of free trade. This last constraint is a pervasive one as it impacts on the performance of domestic industries in relation to the environment and workers rights and will certainly restrict LAC regional industries from participating fully in hemispheric commerce that is sustainable and equitable. All of these constraints are present in each of the LAC countries, however they are particularly problematic for the countries with smaller economies.

Uneven Levels of Trade Disciplines - Due to the importance of free trade to stimulate economic growth in the Hemisphere, the "Free Trade in the Americas" initiative received the greatest attention at the Summit. As a consequence, continued progress in trade liberalization will be the bellwether of Summit implementation activities. Extensive trade policy reforms and their subsequent implementation will be critical to achieving the level of harmonization necessary for countries to accede to the FTAA. Although almost all LAC countries are members of the World Trade Organization (WTO) and must take actions to comply with its multilateral trade rules and disciplines, accession to the FTAA will involve both further reductions in tariff and non-tariff barriers and further upward harmonization of trade disciplines in key areas. Some of these key areas include customs procedures and rules of origin, government procurement, investment, standards and technical barriers to trade, subsidies, trade in services, intellectual property rights, and competition policy.

Access to Trade-Enhancing Infrastructure - Given the status of the current hemispheric trade regime, another major constraint to expanded trade facing the LAC countries, particularly the smaller economies, is the lack of access to trade information infrastructure that would allow agricultural, industrial and service industries to become more integrated, more efficient, and more competitive throughout the Hemisphere. The Summit Partners recognized this issue in their initiative "Telecommunication and Information Infrastructure" and agreed that telecommunication policy reforms coupled with investments in electronic commerce and other information infrastructure will need to be made. Undertaking these efforts will be much more difficult for smaller economies which must contend with breaking up the heavily protected and generally monopolistic markets that characterize the communications industries in smaller LAC countries. The relatively smaller size of their markets compared to the larger LAC countries also places these countries at a disadvantage with private sector electronic commerce service providers.

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Institutions Supporting Trade-Related Structural Adjustments - As hemispheric trade becomes more liberalized and expands as a result of more efficient trading information infrastructure, LAC countries will have to contend with substantial structural adjustments in their domestic economies. Certain industries and even economic subsectors will expand and others will contract as freer hemispheric-wide market competition based on comparative advantage replaces protected trade regimes. These structural adjustments will be most pronounced in the agriculture and service sectors where governmental intervention has been the most active. As a result, structural adjustments have the potential of compromising the participation of the smaller agriculture-dependent economies and consequently the basic full participation premise of the FTAA. To assist countries in contending with these structural adjustments, the Summit Partners have set forth special initiatives for hemispheric-wide cooperation to strengthen market institutions in several key areas including capital markets, science and technology, energy, tourism, and infrastructure investment.

Environmental Adjustments to Trade - Consumers in free markets throughout the world are demanding internationally traded products that meet increasingly higher standards of production and process standards, vis-a-vis the environment. Recognizing this phenomenon, the Summit Partners included initiatives to make trade liberalization and environmental policies mutually supportive. LAC countries must harmonize environmental standards and industries and adopt technologies that assure healthy working conditions, safe products and reduced pollution in order to share fully in the economic growth that expanded trade under the FTAA will provide. Trade and its impact on the environment is a particularly important issue for the smaller economies where agricultural, agro-processing, and manufacturing practices often do not meet internationally recognized standards.

Labor and Management Adjustments to Trade - Consumers in free markets are not only concerned about the environmental conditions in which internationally traded goods are produced, they are increasingly concerned about the labor conditions under which goods are produced, particularly as it relates to women and children. This concern for worker rights is also shared by workers in the more advanced LAC economies who bear the brunt of unfair competition fueled by exploitative wages. To address this constraint to free trade, the Summit Partners recognized that improved worker rights and domestic labor regulations, as defined by appropriate international conventions, must be adopted and fully enforced during the process of economic integration in the Hemisphere. To this end, the Summit Partners are looking toward improved relationships between labor and management to advance productivity and competitiveness in hemispheric trade.

4. Economic Rationale for Hemispheric Free Trade

The Hemispheric Free Trade Initiative differs from other trade arrangements between developed and developing countries (e.g., the Generalized System of Preferences and the Lome

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Convention) in that it is based on strict reciprocity of commitments rather than market access.

Trade theory recognizes that regional preferential trade arrangements, to the extent that they are "trade creating" rather than "trade diverting," increase welfare within a country. Regional preferential trade is therefore beneficial when it leads a country to import from a lower-cost producer abroad rather than produce the good at a higher cost. However, regional preferential trade arrangements may also be harmful to the extent that they may lead to imports of goods from within the region when lower cost substitutes are available from outside the region. But in general, a hemisphere-wide preferential trade area will likely be welfare increasing for countries in sub-regional groupings such as CARICOM, the Andean Pact, and MERCOSUR, as well as for countries engaged in purely bilateral restricted trade.

While economic theory indicates that broad-based regional trade groupings like FTAA are welfare increasing for all parties, it provides little guidance regarding measuring the increases. However in general, one can assume that the benefits from regional preferential trade are proportional to the value of that trade. This assumption carries a number of implications. First, because trade typically accounts for a larger proportion of economic activity in smaller countries than in larger countries, smaller countries stand to gain more from joining a preferential trade agreement than do larger countries. Second, given that welfare gains from trade are proportional to the value of trade, poorer countries will gain more in proportion to their level of income than wealthier countries. Based on this assumption, it is intuitively obvious that Jamaica stands to gain more from free access to the U.S. market than the United States stands to gain from free access to the Jamaican market.

But smaller and poorer countries face substantial obstacles in joining a hemispheric free trade arrangement. In recent years, free trade arrangements have been conditioned not merely on the elimination of tariff and non-tariff barriers, but on the harmonization of a long list of legal and administrative arrangements, including phytosanitary conditions for agricultural products, legal protection for and enforcement of intellectual property rights, and adherence to acceptable environmental and labor standards. Meeting these standards requires the establishment of a complex set of legal and regulatory arrangements which many of the smaller and poorer countries of the region will have difficulty carrying out.

The HFTE Project is designed to address the difficulties that the countries of the region, particularly the smaller and poorer countries, will face in preparing themselves for eventual integration into a hemispheric free trade arrangement by providing technical expertise in both legislative and administrative policy reforms in each of the requisite areas for eventual membership in the FTAA.

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B. Project Purpose, Relationship to Strategic Objective, and Assistance Interventions

At the Summit of the Americas, the participants recognized that technical assistance would facilitate the integration of smaller economies into a regional trade area and increase their level of development. In response, USAID, coordinating with other U.S. Government agencies, has designed the Hemispheric Free Trade Expansion Project, 598-0822, to provide this necessary technical assistance. The HFTE Project is composed of five components each of which addresses the broad constraints to economic integration as identified during the Summit of the Americas.

The purpose of the HFTE Project is similar to the Bureau for Latin America and the Caribbean Office of Regional Sustainable Development's **Strategic Objective No. 1 -- To resolve key issues impeding environmentally sound and equitable free trade in the Hemisphere --** and will be the main mechanism for reaching this strategic objective. The strategic objective and its Program Results are shown in Table 1. The strategic objective framework and indicators are discussed in greater detail in Section IV, Definition of Success of this paper.

The HFTE Project's five components, which parallel the five Program Results of SO1, follow. In implementing these Program Results, special emphasis will be placed upon providing assistance to the smaller economies in the region.

1.1 Trade Liberalization - Assistance to countries to implement trade-related reforms necessary for construction of the Free Trade Area of the Americas.

1.2 Trade Facilitation - Assistance to countries to adopt trade-enhancing infrastructure with particular emphasis on telecommunications infrastructure and information networks.

1.3 Trade-Related Structural Adjustments - Assistance to countries to develop and strengthen regional institutions to support trade expansion in key areas such as capital markets liberalization, hemispheric infrastructure, energy cooperation, and cooperation in science and technology with an emphasis on agriculture.

1.4 Trade and Environment - Assistance to countries to increase the adoption of improved environmental and natural resource management practices as they relate to free trade.

1.5 Trade and Labor/Management Relations - Assistance to countries to increase the adoption of improved labor and management relations and practices as they relate to free trade.

TABLE 1

Strategic Objective Program Tree

LAC Regional
Agency Goal: Broad-Based Economic Growth
<p>STRATEGIC OBJECTIVE NO. 1: Resolution of Key Issues Impeding Environmentally Sound and Equitable Free Trade in the Hemisphere</p> <p>STRATEGIC OBJECTIVE INDICATOR NO. 1: Number Trade Agreements Increasing Hemispheric Integration</p> <p>STRATEGIC OBJECTIVE INDICATOR NO. 2: Increased Trade Flows in Selected Economic Sectors and Subsectors</p>

<p>PROGRAM RESULT 1.1: Increased Capability of Target LAC Countries to Implement Legal Reforms Needed for the FTAA Process</p>	<p>PROGRAM RESULT 1.2: Increased Adoption of Trade-Enhancing Infrastructure</p>	<p>PROGRAM RESULT 1.3: Regional Institutions Established to Support Trade Expansion</p>	<p>PROGRAM RESULT 1.4: Increased Adoption of Improved Environmental and Natural Resource Management Practices Related to Free Trade</p>	<p>PROGRAM RESULT 1.5: Increased Adoption of Improved Labor and Management Relations and Practices Related to Free Trade</p>
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<p>INDICATOR 1: Number of FTAA-related trade liberalization reforms enacted and implemented.</p>	<p>INDICATOR 1: Number of countries participating in new Hemisphere-wide systems for telecommunication, geo-referencing, shipping and transportation, customs transactions, and market information services.</p>	<p>INDICATOR 1: Number of dedicated Hemispheric trade adjustment programs and institutions established.</p>	<p>INDICATOR 1: Number of firms that have adopted improved environment and natural resource management practices related to free trade.</p>	<p>INDICATOR 1: Countries establishing or improving national procedures for obtaining the views of labor on trade issues.</p>
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II. Plan of Action

The HFTE Project is designed to address Hemispheric-wide trade related issues within each of its five components by employing a variety of assistance interventions directed at three specific levels of impact.

One set of interventions are those that are uniquely hemispheric such as studies of the telecommunications market throughout the Hemisphere or support for a hemispheric-wide training institution for plant and animal inspection services. Such assistance will be coordinated closely with the Global Bureau to take full advantage of any ongoing global programming. Another set of interventions are those that are subregional in scope yet have high-priority hemispheric consequences such as the integration of airports in the Caribbean region into a hemispheric-wide Global Positioning System (GPS) air traffic control system or support for the introduction of a Central American electronic commerce system. Such assistance will be undertaken only in conjunction with LAC sub-regional programs and bilateral Missions, as appropriate, to avoid any duplication of effort and thereby assure maximum benefit of limited HFTE resources. The last set of interventions are country specific in scope but have hemispheric consequences such as providing advisory services on a broad array of trade liberalization reforms to countries that the USTR's Trade Policy Staff Committee (TPSC) deems important to advance the overall FTAA agenda or support for a grantee's program in individual countries because of its important regional demonstration effect. Such assistance may be provided in USAID presence countries in conjunction with the country's Mission and in non-presence countries.

While these assistance interventions are spread across the Project's five components, the allocation of resources will be made according to the priorities as identified at the Summit. As noted earlier, continued progress toward construction of the FTAA will be the bellwether of the Summit initiatives, therefore, resources will first be made available to advance the Trade Liberalization component to support FTAA activities. The second priority for resource allocation will be the Trade Facilitation component as it has the greatest near-term potential to expand trade and advance economic integration by supporting advancements in telecommunications and information infrastructure systems. Resources for the third priority, activities addressing the inevitable structural adjustments that will transpire in the LAC economies, will be shared by the project's last three components -- Trade-Related Structural Adjustments that focus on market institutions in support of hemispheric integration and cooperation in science and technology, Trade and the Environment, and Trade and Labor/Management Relations. Of these three, funding levels will be allocated in the greatest amounts to the environmental component reflecting the relative importance attached to environmentally sound sustainable development. While relatively lower levels of resources have been allocated to the fifth component, this should not be interpreted as a reflection of the

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component's importance, but rather as a reflection of the fact that assistance interventions in this area tend to be country specific or subregional in character.

Addressing the complex set of free trade and environmental issues of greatest importance in the region has required accessing and utilizing the expertise and experience of a broad range of organizations, institutions, and private sector entities. Ongoing discussions and collaborative activities have been held with representatives from such U.S. Government agencies as the USTR, the Environmental Protection Agency, the Department of Commerce, the Forest Service, and the Department of Justice. Some of the non-governmental organizations that have contributed to the design of the HFTE Project include the World Resources Institute, the Land Tenure Center, the Caribbean/Latin American Action (C/LAA), as well international organizations such as the United Nations Conference for Trade and Development (UNCTAD), the OAS, and the IDB.

The project will be implemented through both assistance and acquisition instruments. Because construction of the FTAA will be a sensitive process and may involve lengthy legislative reform efforts in some countries, LAC countries can be expected to request advisory assistance on a government-to-government basis. To provide this assistance, the HFTE Project will use Inter-Agency Agreements (IAA) between USAID and other U.S. Government agencies to advance trade liberalization policies in a manner acceptable to the U.S. Government and the recipient country or subregion. When private sector assistance is more appropriate, the acquisition mode will be employed through ongoing USAID/Global Bureau contracts to procure the required technical assistance and training services. No independent HFTE acquisition instruments are anticipated. In addition to IAAs and task orders under current USAID contracts, support grants and add-ons to Global Bureau cooperative agreements will also be employed to support selected activities identified as having high potential to strengthen hemispheric markets and economic integration. The HFTE Project will also complement and ensure cohesion among ongoing bilateral and regional mission trade policy activities such as the RCO Caribbean Policy Project (538-0184), the G/CAP Regional Trade Policy, and the Economic Integration Project (596-0178).

The implementation process and the specific assistance interventions identified to date for FY 95 and FY 96 in each of the five components are described below. To allow the HFTE Project to be responsive to shifting priorities in a politically dynamic process and to reinforce more efficient planning and budgeting procedures, assistance interventions and funding priorities during the period from FY 97 to FY 99 are subject to change based on the annual reviews conducted by each Results Packages Team. This annual zero-based budgeting process will assure that the most important "key" issues impeding trade expansion are addressed.

Throughout the implementation of this program, emphasis will be placed on identifying co-financing opportunities and leveraging of other funds. Several of the U.S. Government agencies that will collaborate in program implementation may co-finance activities and it is

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anticipated that in some instances, joint financing will be obtained from other bilateral or multi-lateral donors, including the World Bank and the IDB. To the extent possible, USAID Missions will provide complementary financing of activities through sponsoring the costs of participants from their respective countries at regional training sessions and conferences, and joint financing assessments involving topics of direct interest to their countries.

A. Trade Liberalization

In recent years, substantial progress has been achieved in trade liberalization in the Hemisphere as countries have proceeded both bilaterally and multilaterally in the formation of subregional trade agreements. In addition to the formation of the North American Free Trade Agreement (NAFTA), MERCOSUR (comprising Brazil, Argentina, Paraguay and Uruguay), and the Group of Three (Colombia, Venezuela and Mexico), more than 20 bilateral trade agreements have been signed between countries and regions since 1990. Almost all LAC countries are now also members of the WTO. The construction of the FTAA will build on these existing agreements to meet the objectives for free trade and economic integration as envisioned at the Summit of the Americas by reducing tariff and non-tariff barriers to trade and reaching agreement on all the areas mentioned in the Summit's Plan of Action through a process of upward harmonization.

At the Denver Trade Ministerial in June of 1995, seven FTAA working groups were formed to address trade liberalization issues and recommend approaches for construction of the FTAA. The USTR leads the U.S. participation in these FTAA working groups with positions established through the TPSC which is composed of representatives from U.S. Government agencies, including USAID. These seven FTAA working groups and their coordinator country are as follows:

1. Market Access - El Salvador
2. Customs Procedures and Rules of Origin - Bolivia
3. Investment - Costa Rica
4. Standards and Technical Barriers to Trade - Canada
5. Sanitary and Phytosanitary Measures - Mexico
6. Subsidies, Anti-dumping and Countervailing Duties - Argentina
7. Smaller Economies - Jamaica

Also at the Denver Ministerial, Ministers agreed to establish four additional international working groups at the March 1996 Trade Ministerial in Cartagena, Colombia. These new working groups will address the issues of:

8. Government Procurement
9. Intellectual Property Rights
10. Services
11. Competition Policy

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The HFTE Project's Trade Liberalization component activities will begin in FY 96. Guided by the USTR/TPSC and based on priorities established by the FTAA working groups, USAID will provide technical assistance in the form of studies, advisory services and training to assist selected countries and subregions. Based on discussions with TPSC representatives and Global Bureau staff regarding technical assistance in support of FTAA trade liberalization activities, the following illustrate the types of activities that may be selected by the Results Package Team to assist countries to strengthen legal and regulatory frameworks.

U.S. Department of Agriculture/Animal Plant Health Inspection Service (APHIS) - Through an IAA, the USDA will strengthen and harmonize plant protection and quarantine systems and regulations throughout the LAC region. Specific activities will include:

- Establish a North American Plant Protection Organization (NAPPO) training program for plant protection officials, specialists and management staff based on a universal system of agricultural quarantine inspection based on WTO standards.
- Establish a self-sustaining training center to allow participating countries to upgrade and harmonize their quarantine practices and systems in accordance with WTO standards. Training would be provided in the following areas: pest risk assessment, export certification, fumigation, agricultural quarantine inspection, pest identification, and port operation management.

U.S. Food and Drug Administration - Through an IAA, the FDA will establish a strengthened food-product safety regulatory framework in the LAC region to ensure consistent production of clean, safe and wholesome food products that meet regulatory requirements of importing countries based on accepted WTO standards. Specific activities will include:

- Provide training to regulatory officials in the Hazard Analysis of Critical Control Points (HACCP) system of preventive controls in basic sanitation and good manufacturing practices.
- Assist national regulatory bodies with HACCP Plan Development and Verification, particularly in the processing of seafood.
- Conduct training and provide technical assistance to control the use of pesticides at the grower level to reduce the number of pesticide residue detentions by importing countries.
- Provide training to government laboratories to improve their capabilities in performing food analysis in such areas as pesticide residues, heavy metals, decomposition, filth, and microbiological contamination.

TA/Training Services - Through buy-ins to the Global Bureau, region-wide technical assistance will be procured to carry out a wide variety of studies and training addressing investment, standards and technical barriers to trade, subsidies, anti-dumping and countervailing duties, and issues related to the adjustment of smaller economies to hemispheric free trade. Specific activities may include:

- Contribute information to a comprehensive data base on market access barriers, tariffs and non-tariff barriers, as required for the WTO Integrated Data Base.

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- Create an inventory of investment agreements, treaties and regimes that exist in the region and determine areas of commonality and divergence and make specific recommendations.
- Recommend technical assistance activities to promote understanding of the WTO Agreement on Standards and Technical Barriers to Trade and to enhance transparency in standards development.
- Compile information on regulatory bodies charged with assessing conformity to technical regulations in the Hemisphere and their accrediting bodies.
- Create an inventory of dumping and subsidy laws and subsidy practices in the Hemisphere and recommend ways to address all trade-distorting export practices for agricultural products such as export subsidies and recommend ways to improve trade remedy laws regarding subsidies and dumping based on WTO obligations in the area of subsidies.
- Assess the factors affecting the participation of smaller economies in the FTAA and examine ways to facilitate their adjustment including the promotion and expansion of their trade and investment.

Department of the Treasury/U.S. Customs Service - Through an IAA, the U.S. Customs Service will assist in finding ways to harmonize and simplify customs procedures in the region. Specific activities will include:

- Compile a comprehensive inventory of Hemisphere customs procedures, recommend a specific approach for Hemisphere-wide simplification of customs procedures, and determine the feasibility of publishing an Hemisphere Guide to Customs Procedures.
- Develop an efficient and transparent system of rules of origin and make specific recommendations for conducting negotiations on rules of origin.
- Identify areas for technical cooperation in customs operation, such as connections among computerized systems and fraud prevention.

U.S. Securities and Exchange Commission - Through an IAA, the SEC will strengthen the capabilities of securities regulators to detect, investigate and prosecute unlawful activities in the securities markets. Specific activities will include:

- Train securities regulators in enforcement and oversight techniques for conducting investigations, market surveillance and inspections of broker-dealers, mutual funds, and investment advisors.

B. Trade Facilitation

While it is expected that FTAA negotiations and the implementation of FTAA agreements will require many years to complete, the expansion of trade and the subsequent benefits of trade can be advanced markedly within the Hemisphere prior to full trade liberalization through the introduction of trade efficiency enhancing infrastructure aimed at both expanding market access

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and lowering trading costs. Such infrastructure enhancing activities include introducing both public sector regulatory reforms (e.g. standardizing regional telecommunication policies and automating customs requirements), supporting private sector "streamlining" of import/export transactions (e.g. simplifying letter of credit and bill of lading procedures), increasing the use of personal computer and integrated network technologies to link traders in order to share local and global market information and consummate transactions electronically, and providing access to real-time geo-referencing and spatial data information systems (e.g. GPS air traffic control and electronic charting) to improve the efficiency of commercial transportation services. The Summit Partners recognized the importance of these trade efficiency enhancing activities when they called for greater cooperation under the Telecommunications and Information Infrastructure initiative.

In laying the groundwork for the HFTE Project's Trade Facilitation component, USAID's LAC Bureau has been sponsoring an ongoing seminar series on electronic commerce entitled "Information Technology, Trade and Development." In addition, USAID has completed three studies for the telecommunications industry focusing on the expansion of electronic commerce in the LAC region. Building on these efforts and working closely with a variety of international organizations, U.S. Government agencies, and private sector trade associations, the HFTE Project will assist countries to access trade-enhancing infrastructure and technology systems. The Trade Facilitation component will also demonstrate the applicability of these systems in the poorer LAC countries to assure equitable access on a hemispheric basis and full participation by small countries in the hemispheric growth that FTAA will provide.

In FY 96, the following Trade Facilitation component activities, with the exception of the NIST activity which will be obligated in FY 95, will be considered by the Results Package Team to provide advisory services and training to countries and subregions to develop, improve and adopt practical applications of information technology to make regional trade transactions faster, cheaper and more efficient, and accelerate economic integration of the Hemisphere.

National Institute for Standards and Technology - Through an IAA, NIST will develop the Small and Medium Enterprises (SME) pilot project initiated at the 1995 G-7 Telecommunications Summit and will adapt it to the particular needs of potential users to encourage business organizations and individual entrepreneurs to adopt electronic trade facilitation technology. Specific activities will include:

- Study communications infrastructures, computer availability, levels of computer literacy, and laws and regulations throughout the region.
- Determine the applicability of G-7 "testbeds" such as CommerceNet to SMEs in the region.
- Develop and test an "inference engine" to create information packages for SMEs from distributed data.

UNCTAD - Through a grant, UNCTAD will establish computerized information databases to

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facilitate electronic trade and commerce on a world-wide basis. Specific activities will include:

- Expand the network of computerized trade facilitation centers (trade points) to poorer countries and secondary towns in larger countries throughout Latin America to allow access to such trade information as evolving policy and developments in standards and technologies.

Agrinet - Through a grant, Agrinet will provide agribusiness information through an E-mail-based network linking agribusiness traders and investors throughout the Hemisphere. Specific activities will include:

- Conduct surveys, network design, and training to spread this technology throughout the Hemisphere.

Center for Trade and Investment Services/Technology Information Promotion System (CTIS/TIPS) - Through a UNDP grant, CTIS/TIPS will establish a Latin American environment trade opportunities database for U.S. environmental and technology companies with commercial interests in Latin America. Specific activities will include:

- Offer timely trade opportunity notices to U.S. environmental companies.
- Disseminate first-hand market information, country-specific environmental trade and investment laws, and information on regional trade shows, regional agents, licensees and joint venture partners.
- Provide trade counseling services to U.S. environmental companies, non-governmental organizations, and state and local government agencies.

TA/Training Services - Through a buy-in to the Global Bureau, a buy-in to IRM and an IAA with the National Telecommunications Information Agency, technical assistance and training will be procured to enable local business groups, particularly small businesses, to access a wide variety of computerized trade facilitation networks primarily through the Internet. Specific activities will include:

- Identify local business associations, chambers of commerce, local utilities and government agencies to carry out the technical assistance.

C. Trade-Related Structural Adjustments

Even before the FTAA negotiations are completed, LAC industries will begin to seek hemispheric markets based on comparative advantage. As LAC industries expand based on competitiveness and market advantages in terms of factor endowments, location and season, they will need access to financing, the latest technologies, and the latest best practices to further strengthen their hemispheric and/or global competitiveness. Industries that are less competitive and shrink in response to the competition created by expanded trade will require redirection of their enterprise and retraining of their workers. They too will require access to financing, technology and best practices.

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To assist LAC industries and countries with these trade-induced structural adjustments, USAID is providing technical assistance to strengthen selected free market institutions and their supporting organizations which advance hemispheric cooperation in issue areas identified by the Summit Initiatives. The market institutions to be supported under the Trade-Related Structural Adjustments component of the HFTE Project will include: financial services for small and medium enterprises, municipal-level private property registration and taxation systems, quality management and quality assurance systems, access to agro-ecological technology development and transfer services, and local-level interest-based forest concession negotiations.

In implementing this component, USAID will continue to build on ongoing activities in its current portfolio as well as break ground in new areas. Such portfolio activities, which are products of close collaboration between the LAC Regional program, the Global Bureau and field mission counterparts, include:

- A grant to ACCION International to examine commercial capital markets as a source of capitalization for microenterprises in the LAC region.
- Completion of a comprehensive review of financial markets throughout the LAC region under the LACTECH buy-in with Chemonics.
- The Wisconsin Land Tenure Center (LTC) has been working closely with the IDB to introduce modern real-property registration systems employing GPS surveying and mapping technologies under a LACTECH buy-in. The LTC recently coordinated a demonstration program of these systems in Trinidad.
- USAID recently sponsored the chief USGS cartographer, who leads the U.S. committee charged with the standardization of digital spatial data systems, to speak on hemispheric integration issues at a LAC regional meeting in Columbia.
- LACTECH advisors recently conducted an Experts Roundtable on new quality assurance systems registries (ISO 9000, ISO 14000, HACCP, timber certification, and organic certification) and their implications to agricultural export market access by small producers.
- USAID has launched a major study of hemispheric free trade implications to agricultural research programming and funding.
- USAID is working with the USDA as it reviews support for restructuring of the Inter-American Institute for Cooperation on Agriculture (IICA).
- Support of cooperative negotiation techniques in the labor and management negotiation arena as a win-win addition to collective bargaining which are also being introduced in negotiations between large international firms and smaller indigenous populations related to forestry harvesting concessions.

The following activities will be implemented in FY 95 to assist LAC countries establish regional institutions to address structural adjustments and support trade expansion.

U.S. Department of the Interior/U.S. Geological Survey - Through an IAA, the USGS will strengthen the geographic information infrastructure in the Hemisphere to facilitate the

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dissemination and exchange of digital geographic data to increase trade and promote responsible use of natural resources. Specific activities will include:

- Inventory spatial data holdings and production programs throughout the Hemisphere and work directly with national mapping agencies and other entities to strengthen and complete the spatial data infrastructure in the Hemisphere.
- Develop and promote standards for collection, documentation and exchange of geological data.
- Establish a geo-spatial data clearinghouse for the Hemisphere that is connected through the Internet to geo-spatial data producers, managers and users.

Harvard - Through a grant, Harvard will prepare indigenous groups to work with lumber companies, foreign investors and government agencies as equals and subsequently negotiate acceptable agreements regarding forest lands, land use and natural resources. Specific activities will include:

- Identify indigenous forest communities with capabilities to participate in natural resource products markets.
- Identify electronic mapping, land-use technologies, and other technical assistance to place indigenous forest communities in a more balanced negotiating position regarding the sustainable development of their natural resources.
- Develop regional monitoring system to pick up early warnings of emerging conflicts related to trade, development projects, land tenure or other tensions and develop appropriate interventions to resolve conflicts before they escalate.

The following activities will be considered by the Results Package Team for implementation in FY 96 to assist LAC countries to establish regional socio-economic "institutions" to address structural adjustments and support trade expansion.

LAC TECH II - Through a buy-in to a Global Bureau contract with Chemonics, LAC TECH II advisors will provide technical assistance in a variety of areas including financial services to small and medium enterprises. Following on the very successful Experts Roundtable, LACTECH will develop Quality Assurance Programs for selected small and medium non-traditional agricultural exports producer groups throughout the LAC region to serve as prototype demonstrations.

International Fertilizer Development Center - Through a grant, the IFDC will strengthen the economic status of populations in the Hemisphere dependent on agriculture by removing barriers to free trade in the fertilizer and agriculture subsectors. Specific activities will include:

- Identify major constraints to free trade in the fertilizer production and supply subsector through data collection and analysis.
- Organize a workshop involving the host-country public and private sectors to establish priorities in addressing the most constraining barriers to the development and expansion of free trade and formulate technical assistance and investment options.

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- **Develop a technical assistance program to remove the major constraints in a site-specific and country-specific fashion.**

Inter-American Institute for Cooperation on Agriculture - Through a grant, the HFTE project will strengthen the capabilities of IICA to provide comprehensive agricultural technical support that responds more effectively to regional interests and hemispheric integration. Working in conjunction with the USDA, USAID will assist in the establishment of the Northern Regional Center to monitor integration and trade opening processes affecting IICA members, identify market opportunities, and provide technical assistance and training related to agricultural trade and investment.

SUSTAIN Project - Through an add on to a Global Bureau contract, SUSTAIN will strengthen the capacity of small-scale and intermediate-scale food industries and increase their economic involvement in the overall economy. Specific activities will include:

- **Improve quality assurance systems and food processing practices to ensure higher levels of food quality, safety and nutrition that meet international standards.**
- **Strengthen the technical and marketing capacities of targeted small- and intermediate-scale industries to improve their ability through value-added processing to function effectively in the globalizing market.**
- **Introduce effective "green" technologies, including organic certification, and marketing practices that are protective of natural resources and health, promote sustainable development, and provide practical and viable alternatives to illicit crop production.**
- **Establish training programs for food producers in good manufacturing practices and quality control procedures as they apply to food fortification to allow small producers the ability to compete in all markets and to reduce micronutrient deficiencies in the Hemisphere.**

TIAFTA Phase II - Through a buy-in to a Global Bureau contract with Chemonics, TIAFTA will assess the emerging free trade scenario and its potential requirements in terms of assistance needed in support of agricultural science and technology institutions in the Hemisphere. Specific activities will include:

- **Prepare a market analysis of the impact of free trade in the Hemisphere and how emerging comparative advantages shape common interests for sub-sector cooperation in agricultural science and technology.**
- **Evaluate the current response capacity of technology institutions in the Hemisphere to respond to the needs of agricultural producers, particularly small producers.**
- **Identify interventions to remove or alleviate constraints blocking the ability of technology institutions in the Hemisphere to respond to the needs of agricultural producers.**

National Council for Food and Agricultural Policy - Through a grant, USAID will assist the NCFAP in a multi-year effort to advance a dialogue in the U.S. agricultural community about FTAA issues to enable leadership to make more informed choices.

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Land Tenure Center - Through a Cooperative Agreement, the LTC will establish the framework for the modernization and management of private land markets and land information systems in the Hemisphere to enhance government and private sector administration of land, strengthen the collection and management of geographic data as a prerequisite to large scale investment and tax reform, and to provide land access to the poor. Specific activities will include:

- Convene a LAC conference on innovations in cadastral and registry systems.
- Coordinate a high-profile NAFTA-led strategy regarding land administration.
- Identify cost-effective measures to incorporate new technologies in property registration and property tax methodologies.
- Introduce the use of GPS technologies in the surveying and titling of land.
- Modernization of cadastral and land information systems to streamline geographic data collection and maintenance.

D. Trade and the Environment

As a result of the Summit of the Americas Declaration "To Guarantee Sustainable Development and Conserve Our Natural Environment for Future Generations," USAID launched the Environmental Initiative for the Americas (EIA) to focus greater attention in the LAC region on four areas: trade and environmental regulatory integration, urban and industrial pollution prevention, sustainable energy production and use, and coastal zone management. Under the HFTE Project, EIA interventions will be focused on assisting LAC countries to pursue environmentally sound economic development under free trade regimes. Environmental activities selected for USAID support will contribute directly to the LAC's Strategic Objective No. 1, Program Result No. 1.4 -- Assistance to countries to increase the adoption of improved environmental and natural resource management practices as they relate to free trade. These activities also support the Summit of the Americas' objectives for Free Trade in the Americas: Partnership for Biodiversity and Partnership for Pollution Prevention.

Environmentally sustainable free trade will require national-level economic and environmental policies that combine economic incentives and realistic regulatory standards, focus on enforcement and compliance with these standards, as well as promote sound natural resources utilization. Interventions under the HFTE Project will be selected based on a clear justification for employing a regional approach that will result in hemispheric benefits and are consistent with the priorities of LAC governments and U.S. Government agencies. The proposed free-trade-related environmental program has been constructed to allow flexibility in addressing the emerging issues of importance and will consist of three principle elements.

1. Assessing existing environmental and other trade and economic development-related policies, standards and regulations, and assist in the development, adoption, monitoring, and enforcement of these legal and regulatory frameworks which are supportive of environmentally sound free trade.

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2. Through a program of pollution prevention, assisting in efforts to mitigate the potential for accelerated natural resource degradation and environmental contamination along with the associated increased health risks that could result from free-trade-induced economic development or a change in the competitive market position of some countries.
3. Assisting in efforts to promote sustainable utilization and management of coastal, forests, and other natural resources of economic and biological importance.

Legal and Regulatory Frameworks

The objective of the legal and regulatory framework activities is to promote the development, upward harmonization, and enforcement of environmental legal frameworks, including policies, standards, and regulations. Compatibility between trade, economic development, and environmental policies in a manner that supports both economic integration and sustainable economic development is essential in order for countries to take full advantage of free-trade-related economic opportunities. Many LAC countries do not have adequate environmental policies, standards, and regulations that deal effectively with key environmental contaminants. The development and adoption of appropriate legal frameworks and environmental standards that are consistent with international requirements under free trade agreements such as the GATT/WTO and NAFTA will serve as the foundation for ensuring adequate levels of environmental protection.

Technical assistance provided under this component element will improve a country's institutional capability to assess environmental risk and environmental impact, and monitor and enforce environmental legal frameworks supportive of environmentally sound free trade and economic development. Activities in this element will lead to a series of legislative steps combining enforcement with incentives to reduce pollutants and promote the utilization of clean technologies. It will also support the involvement by all major stakeholders in the policy-making process to enhance government regulatory and enforcement capabilities, NGO oversight, and judicial capability in dealing with environmental matters.

Pollution Prevention

The Pollution Prevention element of the HFTE Project is designed to increase access to information and technology relating to clean production as the principal means of addressing environmental problems and meeting environmental standards by NGOs, industries, universities, and relevant government agencies. Key industries such as metal ore mining, metal finishing, leather tanning, textiles, food processing, and fertilizer manufacturing will be targeted to raise the level of awareness to the economic advantages of pollution prevention, by-product recovery and reuse, material substitution (replacing toxic materials with less toxic ones), and low-cost processes to assure sustainability and avoid excessive pollution. Small- to medium-sized communities and industries will also be introduced to the advantages of low-cost, low-

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maintenance wastewater treatment and reuse options, including augmented or constructed wetlands and downflow anaerobic lagoons. The Pollution Prevention element of the HFTE Project will also assess and mitigate the impact of increased industrial and economic development and the resulting environmental contamination on human health which occurs under free trade regimes.

Activities in this program element will result in the establishment of a database of viable, low-cost, low-maintenance approaches that can be used to understand and emphasize waste reuse, pollution prevention, recycling, and reduction of waste in a process by utilizing U.S. technology, knowledge and specific approaches. A better understanding of this relationship between free trade and the associated human health risks will also be gained and serve as a baseline by which to design policy, build public awareness and improve technological interventions to mitigate the negative health impact of industrial and economic development.

Biodiversity and Natural Resources

Industrial and economic development under free trade regimes has the potential to result in accelerated degradation of key natural resources upon which LAC countries are heavily dependent. Over-exploitation of natural resources in response to free trade opportunities and changes in the competitive position of LAC countries for certain subsectors could also lead to natural resource degradation.

The Biodiversity and Natural Resources activities in the HFTE Project are designed to better understand the relationship between free trade and natural resource utilization and productivity. This program element will support policy reform, public awareness, education, and technological interventions to mitigate against the negative impact of industrial and economic development on the sustainable productivity of forests, fisheries, and coastal marine resources.

The focus of forestry sector activities will be on defining policies and strategies to advance free trade opportunities for sustainably produced forest products and private sector investment. Activities will also focus on the impact on forests from land-use conversions for agricultural production, the impact on forests from trade-related disincentives for sustainable forest management, protecting the rights of indigenous populations to share in the benefits of sustainable forestry, and the development of timber and non-timber forest products certification standards. Assessments will be conducted of the impacts of NAFTA on the Mexican Forest Sector, the competitiveness and market access of LAC small- to medium-sized forest industries, and the effects on economic incentives for sustainable forest management. Also examined, will be the issues related to allowing private use of timber and non-timber commodities on public forest lands in a manner that promotes sustainable forest management and improves competitiveness under free trade.

In the area of coastal resources, HFTE Project activities will examine the impact of over-

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exploitation of fisheries and other coastal resources, increased soil erosion and agricultural runoff of fertilizer and pesticides from expanded agricultural activities, and expanded economic activity and the resulting environmental pollution and environmental degradation.

In FY 95, the following activities under the HFTE Trade and the Environment component will be implemented through buy-ins to Global Bureau contracts.

Environmental Planning and Management Project (936-5517)

Through the EPM Project, the World Resources Institute will implement four activities.

1. Harmonize legal frameworks in the region. Specific activities include:
 - Identify free trade and environmental regulation requirements, facilitate the integration of this information into existing databases, and facilitate access by LAC countries.
 - Provide targeted short-term technical assistance in key countries and subregions to compile and analyze existing environmental and other trade and economic development policies and legislation for recommendations to strengthen legal frameworks.
2. Conduct country assessments and workshops on "State of Trade and the Environment." Specific activities include:
 - Conduct country assessments in Chile, Argentina and Brazil focusing on one particular sector or issue, such as industrial pollution, mining, or hazardous waste to analyze regulatory structures, institutions, and enforcement and compliance practices.
 - Conduct regional workshops to inform the public, private, and NGO sectors of the results of the assessments to better understand the regional differences which must be resolved and to develop means of doing so.
3. Conduct a regional workshop on promoting equitable private sector investment in Latin America's forest sector to further sustainable development and facilitate the process of establishing criteria and indicators for sustainable forest management.
4. Conduct an assessment to help identify and clarify the free trade and the environmental issues of greatest importance in the LAC region.

Housing and Urban Programs Project (940-1008)

The Environmental Protection Agency will supply the services of an environmental law program advisor to examine environmental legal framework development and regulatory matters supportive of advancing environmentally sound free trade in the LAC region. This person will work closely with other organizations which are involved in implementing the legal framework development and enforcement program interventions.

Energy Facilitation Project (936-5743)

The National Association of State Development Agencies will provide technical assistance and support to small- and medium-sized businesses to assist in creating demand for environmentally

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responsible and energy-efficient technologies and promote U.S. technological solutions.

Environmental Health Project (936-5994)

A private-sector consulting group will provide technical assistance through private-sector consultants, U.S. Government agencies or universities, as appropriate, to promote U.S. technological solutions to pollution prevention; conduct workshops emphasizing industrial alternative wastewater treatment, reuse, recycling, and management that utilize a combination of lectures, plant visits, software operation, database, and design, along with selected hands-on problem solving techniques; and conduct workshops on lead contamination in traded commodities, lead pollution from mining and other industries, and the potential increase in lead pollution from expansion of the transport sector.

Environmental Pollution Prevention Project (936-5559)

1. The Environmental Protection Agency will provide training in comparative risk assessment and risk management, environmental enforcement, pollution prevention, environmental impact assessment, and environmental auditing.
2. Florida International University will conduct pollution prevention and clean-technology regional workshops emphasizing U.S. technology and knowledge, as well as establish an information and technological data base

Coastal Resources Management Project (936-5518)

The University of Rhode Island and the National Oceanic and Atmospheric Administration will provide analysis, technical assistance and training related to over-exploitation of fisheries and other coastal resources, increased soil erosion and agricultural runoff of fertilizer and pesticides from expanded agricultural activities, and increased environmental pollution and environmental degradation associated with expanded economic activity.

Forest Resources Management II Project (936-5556)

The U.S. Forest Service will assess issues related to the impact of free trade on the long-term productivity of key natural resources.

Also in FY 95 through a cooperative agreement with the Institute of the Americas, the Colorado School of Mines will conduct a workshop and prepare a technical paper and handbook on mercury-free methods of gold mining for small- and medium-sized mining operations. A policy paper on economic incentives to promote the use of pollution prevention technologies in the mining sector will also be prepared.

E. Trade and Labor/Management Relations

The economic turmoil of the 1980s demonstrates that sustainable economic growth in the

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LAC region must be broad based with all segments of the population sharing equitably. Currently, with free trade driving economic growth, considerable attention has been given to the linkage between trade and labor and the equitable distribution of benefits flowing from free-trade-based growth. In recognizing the importance of the linkage between progress on workers rights and the process of economic integration, the Summit Partners also recognized the potential for trade-related sanctions as an outgrowth of unfair competition fueled by low wages and poor work environments.

Regional economic integration and export-oriented development strategies require industrial relations systems that are more flexible and able to adapt to change than the traditional models. For some LAC countries, this implies a comprehensive restructuring of industrial relations policies at the national as well as the company and plant level. If LAC countries are to successfully integrate with and compete in the world marketplace, they must do so with modern production and industrial relations practices. The need to compete with best practice implies a "quantum leap" for most countries and underscores the urgent need to address industrial relations issues. Although the organized sector is very small compared to the unorganized and informal sectors in LAC countries, it is the organized sector that plays a central role in industrialization, exports, and structural adjustment, and setting the overall productivity, wage and benefit climate.

Today, largely as a result of changes in the economic environment and pressures calling for new approaches to labor/management cooperation, firms as well as unions must be concerned with ways of modifying the traditional model of collective bargaining to satisfy present day needs and realities. This is not to say that modern industrial relations should deny workers their right to form unions, to bargain collectively with employers, and to strike if a negotiated settlement is not reached. Alternatives to the right to strike are necessary and provisions for such should be clearly defined. The social advantages gained from the provision of these rights include the fact that workers are entitled to a say in the determination of their employment and working conditions. In addition to such rights, contemporary experience indicates that to compete in world markets requires the active participation and commitment of the workforce in order to meet quality and product performance standards.

This new industrial relations model represents a complement to the collective bargaining system. The "new industrial relations system" calls for continuous and informal relations between workers and managers. This new system often includes contingent compensation, team systems of work organization, enhanced worker and union participation in decision making, and employment security. To take root and to have a reasonable chance of success in Latin America, these new industrial relations systems must be buttressed by appropriate legal instruments, policies and implementation procedures. LAC countries must develop their own unique institutional mechanisms. The necessity of coordinating and integrating industrial relations policy with other economic, social, educational, and legal policies is paramount. The USAID assistance strategy seeks to promote cooperative labor/management relations by pursuing

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policy and institutional reforms, on the one hand, and practical experiments on the other to determine what is most suitable for each country or subregion pursuing such strategies.

The Summit of the Americas Action Plan calls for this Hemisphere to "further secure the observance and promotion of worker rights, as defined by appropriate international conventions." USAID has provided substantial support to advance workers rights over the years through a series of grants to American Institute of Free Labor Development. This assistance has focused on advancing traditional collective bargaining and will continue largely on a bilateral basis. More recently, USAID has supported the U.S. Department of Labor and the Federal Mediation and Conciliation Service (FMCS) to advance an alternative approach to promote workers rights and benefits which holds great potential for both labor and management as trade expands.

This new approach emphasizes the use of cooperative, as opposed to confrontational models of labor/management relations. The use of such positive and cooperative labor/management relations techniques has proven to be a major factor in improving competitiveness through increased productivity, greater efficiency, improved quality and increased satisfaction and involvement of the work force. Developing this "new industrial relations system" calls for continuous and informal relations between workers and managers and requires direct technical assistance to appropriate governmental institutions, employer groups and unions. Initial introductory workshops on some of these techniques were well received in Central America when introduced this past year. The HFTE Project will build on this experience, establish model National Labor/Management committees, provide training at the enterprise level, and gather lessons learned for dissemination to government, academic, and business leaders to affect regulatory change as necessary.

In addition to fostering economic growth and democratic institution building through enlightened labor/management cooperation techniques and practices in LAC countries, HFTE's labor activities will promote worker safety, help formulate workforce training policies, study the ways of assuring that improved working conditions accompany economic growth and trade liberalization, and study how to limit illegal migration and exploitation of illegal immigrants.

This strategy must be fortified by host country policies and programs that focus on rule of law and encourage labor law and judicial reform to foster confidence in institutions that promote the welfare of the working class and are vital to strong democratic governance. To promote these objectives, USAID development assistance would go to countries with policies that actively promote these principles, strengthen democratic labor unions, improve protection of worker rights, and provide for appropriate workplace health and safety standards.

The following activities will be funded in FY 95 under the Trade and Labor/Management Relations component of the HFTE Project.

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Federal Mediation and Conciliation Service - Through an IAA, the FMCS will provide training to labor and management representatives in negotiations process, collective bargaining structures, union structure strengthening, and improving relations between employers and employees in the interest of competitiveness in an expanded free trade environment.

III. Management Procedures

A. Project Management, Monitoring and Evaluation System

The implementation of the HFTE Project will be managed and monitored at three distinct levels: overall strategic focus by the Strategic Objective Team, results packages by six Results Package Teams, and annual action plans through the annual Results Review and Resource Request which will evaluate progress vis a vis budget requests.

The implementation of the HFTE Project will be managed by a Strategic Objective Team which will carry out all responsibilities for achieving the strategic objective of resolving key issues impeding environmentally sound and equitable free trade in the Hemisphere. The SO Team will be comprised of the manager of each component's Results Package Team, USAID personnel from LAC, G, and PPC, and representatives from each component's major development partners at USTR and the State Department. The composition of this team is designed to provide a broad base of expertise on which team members can draw to make program choices and effectively respond to dynamic circumstances, focus on identifying and meeting customer needs, collecting and reviewing performance data to continually improve implementation of the activity, and achieve developmental impact through a participatory process. The team will meet regularly to discuss project progress and problems to determine the need to modify or balance component activities, and ensure that the project is correctly focused, achieving the desired results, and is responding to the needs of customers and stakeholders. In addition to these responsibilities, the SO Core Team will be responsible for negotiating agreements, all budget allocation decisions, maintaining the activity information system, and other functions that are inherently governmental. The views of customers and stakeholders will be included in the deliberations and decision making through members of the core team and USAID's development partners who will be eliciting customer input through formal and informal consultations.

With guidance from the SO Team, each HFTE component will be managed by Results Package Teams. These six Results Package Teams will be comprised of USAID personnel, representatives from development partners, and representatives from associations, NGOs, and other organizations with direct links to and contact with USAID intermediate and ultimate customers. Each of these Results Package Teams will solicit team member and customer input to develop, evaluate and select a set of activities designed to achieve the results of each component. Activities will be determined thorough the selection process and selection criteria described later in this paper. The Results Package Teams will also establish criteria for monitoring and measuring activity results. The Results Package Team leaders will keep USAID Missions informed of the implementation of specific project activities and their results, as well

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as solicit Mission comments regarding the applicability of regional activities to each Mission's portfolio and needs assessments of their country.

The membership of the Strategic Objective Team and the Results Package Teams will be as follows.

Strategic Objective Team

Core Team:

LAC/RSD-BBEG Team Leader
LAC/RSD Results Package Team Leader
LAC/RSD Results Package Team Leader
LAC/RSD Results Package Team Leader
EG/G LAC Coordinator
LAC/RSD-E Team Leader
LAC/RSD SO Coordinator

Expanded Team Members:

LAC/SPM-WID
LAC/DPB-EA
LAC/SPM-PS
LAC Regional Affairs
State/ARA/SCO
USTR/WH
PPC/PC LAC Coordinator

Results Teams (Illustrative)

Core Team:

Results Package Team Leader
LAC/RSD/BBEG
LAC/RSD Strategic Objective Manager
PPC/ECON Economist
LAC/SPM-PS
G/EG Project Officer
LAC TECH Project Officer

Expanded Team:

LAC/DPB-EA
LAC/DPB-EA Economists
USTR/WH
LAC/SPM-PS
Government Agency Partners
Public International Organizations
Beneficiaries Groups
NGO Partners
LAC TECH Advisors

B. Customer Feedback and Incorporation of M&E Results into HFTE Activities

The teams will be assisted in all operations by a HFTE-funded SO Coordinator. The SO Coordinator will manage the day-to-day operations related to the SO, coordinate activities among the Results Package Teams, monitor and manage the short- and long-term financial needs of the HFTE activities, serve on the SO Core Team as the Results Package Team Leader of the monitoring and evaluation component of HFTE, and conduct customer surveys to elicit information and feedback from customers regarding specific activities.

The SO Coordinator will also monitor and manage the flow of information between SO Team members, Results Package Team members, implementing organizations, and others, as appropriate. To manage all activity information, the SO Coordinator will establish a HFTE database using Lotus Notes, an information manager software system designed to facilitate the

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sharing of information by groups across a computer network. The HFTE database, which will contain all up-to-date project-related documentation and information, will be accessed by team members and implementing organizations to allow project participants to communicate, coordinate, monitor performance and make decisions more efficiently as they implement activities and make recommendations through their on-line discussion groups. This system will further maximize the inclusion of customer and partner participation in the planning, implementation and evaluation of HFTE activities vis-a-vis the strategic objective. Through the discussion database, project activities that are not performing well can be quickly identified and the members of the Results Package teams will all be able to recommend changes. This information will also be utilized by the SO Team in making budget allocations.

In addition to the evaluation mechanisms that will be utilized by the SO and Results Package teams, funds have been included under the Monitoring and Evaluation component of the HFTE Project for a mid-term evaluation in the third year of implementation. The USGS, through an IAA, will also develop a data repository system which will permit the collection, storage and the retrieval of performance-indicator data with which the SO and Results Package teams will monitor and evaluate project activities. The data, which will be geo-referenced, will also allow users to better understand the linkages between the five LAC program areas: economic growth, population and health, environmental preservation, democracy and human rights, and education. The SO Coordinator will work closely with the USGS as they monitor the HFTE activities throughout the Hemisphere.

The results of all unclassified reports from each of the M&E activities will be placed into the Lotus Notes groupware database where they will be accessible to all USAID personnel, partners, intermediate customers, ultimate customers, Congressional staff, and the American public through USAID's home page on the Internet. This system will assure maximum transparency. All procurement sensitive information will be protected by differential access protocols among those who access information on HFTE and through the use of encryption for all budgetary information.

C. Process for Implementing Activities

After each Results Package Team has completed its evaluation and review process, the team will select and recommend to the SO Team specific activities that will contribute to achieving the strategic objective. HFTE activities will be implemented using various acquisition and assistance instruments including IAAs, grants and buy-ins to grants, Cooperative Agreements, and contracts. Each IAA will be constructed by the appropriate Results Package Team and thoroughly vetted through a process which will include review by the SO Team, the Operating Unit and G Bureau officers, if appropriate, before the IAA is obligated by the Assistant Administrator. Grants to private international organizations will be vetted by the Results Package Team and the SO Team prior to being signed by the Assistant Administrator.

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Buy-ins to G Bureau instruments for technical assistance will also be vetted through the Results Package and SO teams review before being cleared by the Bureau and approved by the Operating Unit.

Funds will be provided for audits as required in accordance with USAID regulations. The methods of financing to be used during project implementation along with the project procurement plan are summarized in Table 2.

TABLE 2

FY96 Proposed Procurement Plan

Implementing Organizations	Estimated Award Date	Estimated Amount	Method of Implementation
USDA	Dec. 95	\$100	IAA
FDA	Dec. 95	\$100	IAA
Global Bureau	Nov. 95	\$150	LACTECH/PEDS Buy-in
NTIA		\$75	IAA
NIST		\$100	IAA
IRM/CIS	May 96	\$50	OYB Transfer
Global Bureau	May 96	\$50	Buy-in
Global Bureau	May 96	\$50	Buy-in
LAC/RSD		\$50	LTC Cooperative Agreement
Global Bureau		\$80	Buy-in Chemonics
Global Bureau	Nov. 95	\$80	SUSTAIN Buy-in
Global Bureau		\$120	Buy-in LACTECH
Global Bureau		\$40	CRMP Buy-in
Global Bureau		\$100	EFP Buy-in
Global Bureau		\$140	EHP Buy-in
Global Bureau		\$205	EPMP Buy-in
Global Bureau		\$120	EP3 Buy-in
Global Bureau		\$75	FRM II Buy-in
Global Bureau		\$70	HUPP Buy-in
DOL		\$75	IAA
FMS		\$75	IAA
Global Bureau		\$50	Buy-in Chemonics
Global Bureau		\$240	RSSA Buy-in
USGS		\$70	IAA

IV. Definition of Success

A. Activity Selection Criteria, Intended Results, and Indicators

The purpose of HFTE is to assist countries remove constraints to participation in a free trade area in order to facilitate environmentally sound and equitable free trade in the Hemisphere. To this end, the HFTE Project provides technical assistance in the form of studies and conferences to further clarify the key issues, technical assistance in the form of advisory services to recommend legislative and administrative policy reforms and to introduce new technologies and institutions to address the key issues, and technical assistance in the form of training to implement the reforms and build institutions to resolve the issues.

For each of the five HFTE components, Results Package Teams will be charged with clarifying intended results by developing targets, indicators and management methodologies within the results framework. The Results Package Teams, comprising RSD operating unit officers working closely with other LAC Bureau officers in Washington and the field, US Government agency partners, NGO partners and organizations representing program customers, will examine activities that are proposed to achieve the intended results. These proposals will emanate from the partners and be reviewed in the context of estimated available funds that are determined by the Strategic Objective Team working closely with the RSD operating unit.

Each quarter, the Results Package teams will produce for the Strategic Objective Team a prioritized list of activities ready for implementation. The Results Package teams will employ various criteria to establish priorities which are peculiar to the specific results framework to identify those activities which are most important and directly linked to achieving the program results and the strategic objective. However, all activities will meet the minimum criteria described below.

- Have Mission concurrence for country-specific activities, when appropriate.
- Have country-team concurrence for non-presence countries.
- IAA activities provide the same services provided to the U.S. private sector.
- Address policy or institutional issues of subregional or hemispheric-wide impact.
- A request for assistance is obtained.
- Missions will agree to follow-on activities, if required, in sustainable development countries.
- Missions, with G Bureau support, will fund an activity if it is consistent with a Mission SO.
- Activities with follow-ons, will provide an analysis of appropriate private-sector or donor-group follow on.

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Another basic selection criteria that will be used for evaluating all proposals will be to determine the impact on customers described as smaller economies versus relatively advanced economies. This discriminating criteria will be established by the OAS. While activities in both categories of countries may address key issues impeding movement toward free trade, the HFTE Project is particularly concerned with the issue of smaller economies. Once the activities directed at smaller economies are identified, each activity will be further categorized according to whether it will be implemented in a USAID presence or non-presence country, with USAID presence country activities receiving preference. All activities in presence countries will be coordinated closely with field missions and all activities in non-presence countries will comply with Bureau guidance on such. Given the level of project resources in relation to the enormity of the overall task, HFTE Project interventions supporting public sector reforms will also be selected based on the activities potential to maximize demonstration effects to other countries. In addition, all activities will be scrutinized for gender-related implications to the advancement of equity issues.

With such a system of prioritization of the activities used by the Results Package Teams, the SO Team will review the activities and allocate funds based on its own budgeting priority system described early under which the Trade Liberalization component will receive the highest priority in the fund allocation process followed by the Trade Facilitation and Trade Adjustment components. The allocation of funding for components related to Trade and the Environment and to Labor/Management Relations will be consistent with earmarked commitments.

Intended results and indicators of the five HFTE Project components are discussed below. In each component, when appropriate, baseline surveys will be undertaken to establish quantitative benchmarks to enhance the monitoring of HFTE Project results.

1. Trade Liberalization

To advance trade liberalization throughout the Hemisphere, which is this component's intended result, the HFTE Project provides technical assistance to countries (particularly the smaller economies) to raise the level of specific trade disciplines consistent with levels of evolving FTAA disciplines. In this context, the trade liberalization objective under the Summit of the Americas initiative is to make concrete progress by the year 2000 and complete the FTAA negotiations by the year 2005. To realize these objectives, two courses may be taken. The first course is for continued expansion of free trade agreements that are in place. The accession of Chile to NAFTA is an example of this process. As more countries join the regional trade zones, larger trade zones will result and the number of trade disciplines that require harmonization will be reduced. The problems associated with negotiating the trade disciplines between two large trade groups such as NAFTA and MERCOSUR however, may prove more difficult to resolve than the second course. The second course is for countries to pursue a path of upward harmonization to a mutually agreed upon set of FTAA trade disciplines. Such a set of trade

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disciplines do not currently exist. Some commonly agreed upon method will have to be found to construct the FTAA.

At this time, both courses are being followed. Negotiations to expand NAFTA are moving ahead with Chile and other countries may join NAFTA in the future. Efforts are also underway to provide CBI countries NAFTA parity. On the other side, FTAA working groups have been formed in seven trade discipline areas and four more will be established in March 1996 at the Cartagena Trade Ministerial in Colombia. A critical step in terms of upward harmonization involves compliance with the WTO trade disciplines. This is only a first step, however, as some countries have adopted higher discipline standards than those set by the WTO.

Given this uncertainty, the intended results in this component can only be broadly defined. USAID will follow the broad U.S. strategy formulated by the USTR/TPSC for FTAA construction which will identify to the Results Package Team specific trade discipline issues by country and subregion and establish trade discipline standards to be adopted and implemented in each country. The Results Package Team will then develop and negotiate an activity response with other U.S. Government agencies that can provide the technical assistance required or alternatively develop a task order for a buy-in to an appropriate Global Bureau technical support activity. The response will also be determined by the nature of USAID involvement in each country, which may be one or more of three types. In the one type of involvement, USAID may assist with "gap filling" support for reforms where a country may need limited external assistance. A second type involves USAID assistance in a single country to apply a broad range of reforms. These reforms will be particularly important as some of the smaller economies prepare for accession to NAFTA. In the third type of involvement, USAID may assist a subregional group with a set of reforms. This approach may be followed in the Eastern Caribbean where separate reforms in each country may be difficult to achieve.

The results, therefore, for the Trade Liberalization Component will be the introduction of higher operational trade discipline standards and include trade discipline reforms -- legal and administrative -- and stronger trade regulatory institutions. The indicators to measure the results of this strategy will be the number of FTAA-related trade liberalization reforms enacted and implemented. The number of reforms to be targeted over the life of the project will be determined by the overall U.S. strategy which will be clarified after the Cartagena Ministerial. HFTE activity results are to be examined by the Strategic Objective Team within two results framework hypotheses:

1. If smaller economies can meet World Trade Organization trade discipline standards by the year 2000, then concrete progress toward the formation of the FTAA has been achieved.
2. If more advanced economies can approach a higher NAFTA-level trade discipline trade standard by the year 2000, then concrete progress toward the formation of the FTAA has been achieved.

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2. Trade Facilitation

A key issue in the expansion of hemispheric trade is the integration of hemispheric markets through modern communications and information systems. By reducing the costs of market information services, which is the intended result of this component, trading efficiency will increase and trade expansion will follow. The technical assistance and training activities focused on telecommunications policy liberalization will contribute toward a liberalization of the ownership, regulatory and pricing structures of the telecommunications sector in Latin America. In addition, technical assistance and training in electronic commerce will lead to bolstered regional standards for common electronic commerce message formats, as well as better trained and equipped public and private sector professionals to use such networks. These advancements, in turn, will contribute to growth in local and foreign direct investment in the telecommunications and information technology sector.

HFTE Project interventions supporting private sector market expansion, such as electronic commerce demonstrations, will be selected based on commercial viability and potential impact on trade expansion. The three on-line trade demonstration activities will demonstrate how information technology can support agribusiness trade and investment, environmental technology transfer and multi-faceted electronic commerce. These demonstrations will substantially lower the information retrieval, documentation and travel costs associated with international trade in such areas as agribusiness, environmental technology, etc. By establishing and organizing these intermediary trade facilitation centers (e.g. trade points), the access of small businesses to the benefits of international trade will also be enhanced. Apart from the individual success of any given demonstration, each should stimulate emulation by other trade information networks likely to emerge in the region. Thus, the USAID demonstrations will play a role in showing the feasibility of such technology with later replications to be carried out and sustained by the private sector.

The indicators of HFTE Project success in Trade Facilitation will include the number of countries participating in new hemispheric-wide systems for telecommunication, geo-referencing, shipping and transportation, customs transactions, market information services, and the increased number of trade-related agreements and increased trade flows. Trade-related agreements will be monitored both directly and indirectly to more accurately measure the demonstration effect - country-specific agreements serving as a models for other agreements in other countries facing a similar issue. Trade flows will be monitored in selected country-specific economic sectors and subsectors where there is a clear attribution to a HFTE Project intervention.

3. Trade-Related Structural Adjustments

Free trade and economic integration will involve the introduction of new private-sector, market-based institutions in support of trade expansion and new institutional responsibilities for

Hemispheric Free Trade Expansion Project

governments as they regulate and monitor the private sector to assure competition, sustainable growth and equity. Progressive industries in the region are those that are competitive, adhere to high environmental standards, and meet employment goals. The Trade-Related Structural Adjustments component activities focus on institutions concerned with industrial competitiveness. These institutions and programs include: financial services to small and medium enterprises, quality assurance certification for export market access, interest-based negotiations, private property registration systems, and access to agricultural technologies and best practices. The intended result of this component will be to introduce these institutions on a self-sustaining basis throughout the Hemisphere.

The indicator for this component will be the number of dedicated hemispheric trade adjustment programs and institutions established. While additional work is required during the first year of the project to define the specific institutions and programs to be targeted, we can describe broadly the institutions which support the expansion of progressive industries which are the key to successful economic integration.

4. Trade and the Environment

The legal and regulatory activities in this component to improve and harmonize environmental legal frameworks will lead to a sequenced series of legislative steps that will combine enforcement with incentives to reduce pollutants, promote the utilization of clean technologies, improve each country's institutional capability in environmental risk and environmental impact assessment, and support monitoring and enforcement of environmental legal frameworks. In addition, this program element will help to ensure that free trade, economic development, and environmental legal frameworks are made more compatible and that stakeholders are involved in the policy process.

The pollution prevention activities will result in the establishment of an informational and technological database of low-cost and low-maintenance pollution prevention approaches for NGOs, industries, universities, and relevant government agencies. This database will provide information on processes for waste reuse, pollution prevention, recycling, and reduction of waste utilizing U.S. technology, as well as information on the economics of pollutant recovery and reuse, prevention, and end-of-pipe controls. The database will also provide access to relevant technologies and quick assessments of specific geographic areas and industries.

The environmental health activities will result in a better understanding of the impact of free trade-induced industrial and economic development on the environment and human health. Policies and technologies will be developed and disseminated to address such key environmental health issues as mercury, lead, and pesticides contamination in the region. Awareness of environmental health issues will also be enhanced among the governments, industries, and citizens in the LAC countries.

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The biodiversity and natural resources activities will result in improved legal frameworks in LAC countries that address and support sound natural resources management and mitigate against environmental contamination. These activities will also result in increased knowledge of and access to sustainable natural resource management technologies.

The indicator for this Results Package is the number of firms that have adopted improved environmental and natural resource management practices related to free trade. Other indicators will be refined as part of the detailed work plan development and problem prioritization assessment during the early phase of program implementation. This will involve more in-depth discussions with USAID Missions, other donors, LAC governments, private sector organizations, and NGOs. As the program evolves in response to the U.S. policy agenda, which is being led by the USTR, and lessons learned, the measures of success will be appropriately modified.

5. Trade and Labor/Management Relations

The result of this component's activities will be to establish a sound foundation of industrial relations from which both labor and management representatives can work together to take full advantage of new trade opportunities. The focus of the activities in the Trade and Labor/Management Relations component will be on providing specific skills training to negotiators and administrators at several model company/union sites. This will include training in fundamental bargaining skills, bargaining structures, the appropriate roles for labor and management, and develop communication, trust, mutual understanding, and a willingness to cooperate.

During the first year, training will take place in one or two countries, depending upon the level of funding available, and result in improved collective bargaining structures, strengthened union organizations, use of resolution processes to avoid such harmful activities as work slow-downs, and the increased employer recognition of the benefits of stable and participatory relationships with workers. Recognition and support by labor ministries and other governmental institutions of the use of these advanced labor management practices by labor ministries and other governmental institutions are critical. The company-level lessons will be disseminated to achieve national and hemispheric impact through extensive reporting features designed to capture the process and results of the company-level training, the creation of national or regional labor/management committees, and a national seminar to introduce these processes and draw attention to the results.

The overall indicator for this Results Package is the number of firms that have adopted collaborative, as opposed to confrontational, approaches to resolving labor/management disputes. Other indicators will be refined as part of the detailed work plan development and problem prioritization assessment during the early phase of program implementation. This will involve

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more in-depth discussions with USAID Missions, other donors, LAC governments, private sector organizations, and NGOs. As the program evolves in response to both U.S. and other hemispheric labor issues and lessons learned, the indicators of success will be appropriately modified.

V. Analysis of Feasibility, Key Assumptions and Related Risks

A. Key Project Issues

The main issues examined during the design of HFTE are indicated below, along with an explanation of how each will be addressed.

1. Project Focus

The HFTE Project is designed as the LAC Bureau's comprehensive regional programmatic response to U.S. foreign policy objectives aimed at strengthening market-led economic growth in the Hemisphere. The Project responds specifically to U.S. foreign policy objectives as outlined in the Summit of the Americas Declaration of Principles and is necessarily broad in order to meet the wide range of sectoral and sustainable development objectives contained in the Summit of the Americas Plan of Action. The HFTE Project components and the proposed technical assistance interventions within each component have been identified to address key impediments to free trade and economic integration. This identification process has occurred through discussions with the Summit task managers and LAC/RSD partners, including field Mission representatives and other U.S. agencies such as the U. S. Customs Service, USDA, FDA, USGS, and NIST. As the HFTE Project is implemented, the Project focus will sharpen even further as competing relative priorities are identified in the allocation of scarce resources.

2. Need for a Regional Program

The Summit of the Americas unleashed a regional political process to search for common trade regimes, technology standards, and formulas for addressing environmental and other developmental constraints unique to the Hemisphere. While bilateral, sub-regional and global programs and development models can and will contribute to resolving this regional problem, it is essential in this time of increasingly limited technical assistance resources to have a regional programmatic response to assure that the key hemispheric-wide constraints are being addressed in a comprehensive and efficient manner. Bilateral Missions, by definition, address country-specific development problems including those related to free trade and economic integration. Regional Missions, by definition, address region-specific development problems which would also include free trade and economic issues. HFTE will build on both bilateral Mission programs and regional programs. But where both bilateral and regional Missions can not address larger regional or hemispheric issues, the Global Bureau can provide the technical support as required by the geographic bureau's programmatic response and coordinate with the

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geographic bureau to assure that appropriate global programs are utilized to maximize efficiency and avoid duplication. The HFTE Project will draw fully upon appropriate Global Bureau technical assistance projects and will coordinate fully with the Global Bureau officers through their participation on the Strategic Objective Team and the Results Package Teams.

3. Inclusion of Equity Issues

While addressing broad issues of trade liberalization which will help all segments of LAC societies grow, the Project also provides targeted assistance to help those segments of societies that are more disadvantaged. For example, the labor component will provide technical assistance and training to strengthen workers rights and improve the benefits to labor from expanded hemispheric trade. Trade efficiency activities will seek to harness powerful new information technologies to benefit small- to medium-sized businesses and agricultural cooperatives. Equity issues regarding gender will be carefully considered for each of the proposed activities as detailed implementation plans are developed and the activities are implemented and monitored. Also in the monitoring of the HFTE Project implementation, a shared database will be set up to provide for an ongoing discussion of gender issues.

4. Non-Presence Countries

For the Project to have a truly hemispheric impact in accordance with the Summit objectives, regional Project activities should be implemented in non-presence countries. In countries such as Argentina, which is a USAID non-presence country and a principal player in the MERCOSUR trade group, implementing targeted trade and telecommunications liberalization activities would encourage the adoption of these activities in other MERCOSUR-member countries. Similarly, for Chile, which is the region's leader in telecommunications and trade efficiency technology and is slated to become a USAID non-presence country in FY 96, to participate in regional HFTE activities would provide it the opportunity to share its policies and technical approaches with other countries. To achieve the desired program impact, it will be necessary to work with subregional and regional concerns, trading groups, and organizations that operate in presence and non-presence countries.

B. Principal Assumptions and Risks

The principle assumption underlying the HFTE Project is that the consensus established among the Summit Partners that "free and open trade is in every country's best interest" will continue. But while countries may continue to hold this position, there will be substantial pressures from several quarters for countries to break ranks and return to more managed trade regimes. If this occurs, it could jeopardize the consensus of the Summit and slow the free trade

Hemispheric Free Trade Expansion Project

movement significantly. Of consequence to the HFTE Project in this scenario are the pressures that will come from two main threats, both of which will have a potentially greater impact on the smaller economies than on the larger economies in the region.

First, pressure will be particularly strong from domestic agricultural producers and agro-industries where trade adjustments could result in food price hikes. When these narrower short-term consumer interests align with protectionist interests within the agricultural sector, pressure on the democratically-elected governments will grow and possibly slow the movement of the country toward free trade. The process could also spread to other neighboring countries and result in the formation of smaller regional trade blocks which would complicate the process of upward harmonization of trade disciplines. The USTR/TPSC will follow this issue closely through its participation in the FTAA working group Subsidies, Anti-Dumping and Countervailing Duties chaired by Argentina.

Second, unless the benefits of free trade are shared in a balanced manner, pressure from the smaller economies will grow for either "special and differential" treatment or "additional assistance compensation" to offset the potential trade-linked economic impacts and adjustments. The U.S. holds that the economic impact will be no more or no less problematic for the smaller countries and therefore should not receive special and differential treatment or compensating assistance. The only impact felt by the smaller economies will come during the process of harmonizing upward their trade disciplines, for which the HFTE Project was designed to assist them in introducing trade liberalization measures. The USTR/TPSC will follow this issue closely through its participation on the Smaller Economies FTAA working group chaired by Jamaica.

C. Monitoring Risks During Implementation

The HFTE Project is designed in part to address the two preceding issues which will be monitored in the course of regular implementation and reporting. But given the importance of the smaller economies to HFTE, additional measures will also be taken. LAC/RSD is currently undertaking a review of its Title III, PL480 program support in relation to fostering free and open agricultural trade. The results of this review will be shared with USTR/TPSC to identify whether Title III programming can play a continuing role in the transition to free trade in selected countries. USAID will also establish a special discussion database on the Lotus Notes groupware with bilateral Missions to more closely monitor the free trade adjustment difficulties experienced by the smaller economies and report this information regularly back to the USTR/TPSC via the discussion database.

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VI. Financial Plan

A. USAID Resource Requirements and Counterpart Contributions

The total USAID cost of the Hemispheric Free Trade Expansion project is \$10.8 million. The cost of each major project component within the project is shown in Table 3:

TABLE 3

HFTE Project Cost Summary

Trade Liberalization	\$2,085,000
Trade Facilitation	\$1,225,000
Trade-Related Structural Adjustments	\$1,980,000
Trade and the Environment	\$3,000,000
Trade and Labor/Management Relations	\$970,000
Project Management	\$960,000
Monitoring and Evaluation	\$580,000
TOTAL	\$10,800,000

The Project's IAAs are designed to fund the extra-budgetary costs of U.S. Government agencies to provide technical assistance in support of mutually agreed upon activities that advance economic integration. Similarly, the buy-ins to Global Bureau projects will fund the procurement of technical assistance. No counterpart funding is involved with IAAs nor with direct procurement of technical assistance.

Counterpart funding is, however, required with USAID funding of grants. Given that the specific grant-funded technical assistance activities and all the specific grantees are not yet identified, generating a specific level of counterpart contributions is difficult. However, during the implementation process, activities will be reviewed with the expectation that grantees will provide the necessary counterpart funding and estimates of these levels will be made prior to approval of the activity as evidence of the grantee's commitment to the activity and to assure that scarce HFTE Project resources are being used as efficiently as possible. For LAC/RSD grants, standard USAID guidance on counterpart contributions will be followed. This guidance requires the grantee to make the maximum level of contribution possible. For FY 95, the Harvard grant

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is a research activity which USAID is funding fully. Given the exploratory nature of the grant activity, these grants require no counterpart contributions. For grant actions FY 96 and those in the Project's out years, counterpart contributions will be required as appropriate and estimated prior to the awards.

B. Expected Obligation Actions and Schedule

Table 4 illustrates the broad programming of the Project budget by component and the estimated level of expenditures by project year during the life of the project. The budget cost estimates are subject to further review in the obligation process. The interventions programmed for the Project's out years, FY 98-00, require further review and therefore the budget figures are purely illustrative. Some activities may be dropped and other activities may be added as a result of shifting priorities inherent in the process of constructing a free trade zone. However, the relative budget allocations by component will remain unchanged and trade liberalization activities will continue to have first claim on discretionary resources.

The process of budgeting will begin with the Results Package Teams reviewing and recommending resource levels for each component based on progress achieved toward meeting established results targets. The Strategic Objective Team will then review the recommendations and prepare the obligation schedule for the project in the fourth quarter for the following year. The Strategic Objective Team will program funds in order of component priority as described previously.

TABLE 4

Obligation Plan

Project Components	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	TOTAL
I. Trade Liberalization	\$0	\$600	\$575	\$455	\$455	\$2,085
II. Trade Efficiency	\$75	\$400	\$425	\$275	\$50	\$1,225
III. Trade-Related Structural Adjustments	\$265	\$500	\$590	\$355	\$270	\$1,980
IV. Trade and the Environment	\$800	\$730	\$730	\$740	\$0	\$3,000
V. Trade and Labor/Management Relations	\$170	\$200	\$200	\$200	\$200	\$970
VI. Project Management	\$100	\$370	\$440	\$265	\$365	\$1,540
TOTAL PROJECT OBLIGATIONS	\$1,410	\$2,800	\$2,980	\$2,290	\$1,340	\$10,800

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C. Recurrent Costs for Participating Organizations

No estimates have been made of the recurrent costs of participating organizations. No FY 95 activities have significant recurrent costs as they involve inventories, assessments, studies and training where no public sector institution building is involved. In FY 96, some activities such as USDA's support of the NAPPO Training Center and the electronic commerce demonstrations will involve recurrent costs. These recurrent cost commitments by participating partners will be explicitly addressed once these activities are further refined and prior to USAID funding. Recurrent costs of activities to be supported in the out years will be addressed in a similar manner.

D. USAID's Management Costs

LAC/RSD management costs include staff in full-time equivalents (FTE's) and field travel. Approximately 3.3 FTE's are estimated to implement the HFTE Project through their leadership of Strategic Objective and Results Package Teams. In addition, eight project oversight trips are estimated annually. Other LAC Bureau offices and the Global Bureau will also incur FTE costs through the participation of their representatives on the results teams. It is estimated that the total FTE is 1.2 for this additional participation. These estimates are rough approximations and will be further refined as the USAID reengineering Strategic Objective implementation process moves ahead.

USAID's management costs will also be incurred through a buy-in to the Global Bureau LACTECH Project. The LACTECH advisors will work closely with LAC/RSD and will participate on the Results Package Teams to implement the various activities. In addition, USAID will incur management monitoring costs under an IAA with the USGS as they establish a hemispheric spatial data monitoring system. USAID is anxious to participate in the construction of this system as a means of monitoring the geographic impact of the HFTE Activity. Finally, USAID management costs will be incurred to evaluate the HFTE Project. Estimates of the costs associated with these project funded USAID management efforts are included in Table 3.

ANNEX A

Initial Environmental Examination



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-95-42

REQUEST FOR A CATEGORICAL EXCLUSION

Project Location : LAC Regional
Project Title : Hemispheric Free Trade Expansion Project
Project Number : 598-0822
Funding : \$10,800,000
Life of Project : FY 95-FY 99
IEE Prepared by : Julie Mann, LAC/RSD/BBEG
Recommended Threshold Decision: Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation
Comments : None


Date 9/13/95
Jeffrey J. Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

Copy to : Twig Johnson, Director
LAC/RSD
Copy to : John Becker, LAC/RSD/BBEG
Copy to : Julie Mann, LAC/RSD/BBEG
Copy to : Gilbert Jackson, LAC/RSD/E
Copy to : IEE File

INITIAL ENVIRONMENTAL EXAMINATION

(A) PROGRAM REGION: Latin America and the Caribbean
(B) ACTIVITY: Hemispheric Free Trade Expansion Project
(598-0822)
(C) FUNDING: \$10,800,000
(D) PERIOD OF FUNDING: FY 1995 - FY 1999
(E) STATEMENT PREPARED BY: Julie Mann, LAC/RSD/BBEG
(F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical Exclusion

(G) DECISION OF ^{RSD signed by} ~~LAC/BBEG~~ DIRECTOR

CONCURRENCE: Tary Johnson

DATE: 9/15/95

Clearances:

LAC/RSD/BBEG: JBecker [Signature] Date: 9/14/95

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EXAMINATION OF THE NATURE, SCOPE AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT

(A) DESCRIPTION OF THE PROGRAM

The goal of the Hemispheric Free Trade Expansion Project is to resolve key issues impeding environmentally-sound and equitable free trade in the Hemisphere.

The project supports U.S. trade-related initiatives under the Summit of the Americas. USAID, in coordination with the Office of the U.S. Trade Representative and other U.S. agencies as appropriate, will provide technical assistance to countries throughout the Hemisphere to implement trade-related policy reforms, and to develop and strengthen technical infrastructure and institutions to advance the formation of the Free Trade Area of the Americas and other key aspects of hemispheric economic integration as outlined at the Summit.

The project will have five components: (1) technical assistance to countries to implement reforms removing tariff and non-tariff barriers to trade as necessary for construction of the Free Trade Area of the Americas (e. g. USAID will work with the USDA to introduce new sanitary and phyto-sanitary control procedures and U.S. Customs to upgrade valuation and inspection services); (2) technical assistance to countries to adopt trade-enhancing infrastructure with particular emphasis on telecommunications and information infrastructure (e.g. USAID will work with NIST and USGS to introduce electronic commerce and spatial information pilots and data standards); (3) support for the development of key hemispheric-wide and sub-regional institutions being established to support trade expansion in key areas identified in the Summit, including capital markets liberalization, energy cooperation, cooperation in science and technology (particularly agriculture), and support of mechanisms to strengthen the flow of private investment capital to hemispheric infrastructure projects (e.g. USAID technical advisors will work with IDB and the IBRD to decentralize private property registration systems to stimulate private sector investment); (4) technical assistance, training and information dissemination to countries and industries to adopt improved environmental protection and natural resource management practices related to trade and sustainable economic development; and (5) technical assistance to countries and industries to adopt improved labor/management relations and practices. The technical assistance will be implemented through a series of Inter-Agency Agreements, grants to specialized public and private non-governmental organizations, and contracts for specific advisory services.

(B) RECOMMENDED ENVIRONMENTAL ACTION

This project qualifies for a Categorical Exclusion because its activities are within the class of actions described in 22 CFR Section 216.2 (c) (2) (i) as follows: "Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as the construction of facilities, etc)."

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Annex B

Summary of Other Donor Activities

	Free Trade In the Americas	Capital Market Development	Hemispheric Infrastructure	Energy Cooperation	Telecom/ Information Infrastructure	Science and Technology	Tourism	Sustainable Energy Use	Biodiversity	Pollution Prevention	Micro Enterprise
IDB	X	X	X		X	X	X	X	X	X	X
IBRD	X	X	X		X			X	X	X	X
ECLAC	X	X									
UNDP	X	X			X			X	X	X	X
OAS SCT	X	X			X						
CITEL					X						
PAHO										X	
European Union	X	X							X	X	X

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Annex C

Summary of Related Bilateral Mission Activities

	Free Trade in the Americas	Capital Market Development	Hemispheric Infrastructure	Energy Cooperation	Telecom/ Information Infrastructure	Science and Technology	Tourism	Sustainable Energy Use	Biodiversity	Pollution Prevention	Micro Enterprise
Belize	3,4						4		3		4
Bolivia	2	4	2						1,2,4	4	1,2,4
Brazil	1							1	1,4		
Chile	3								3	3	
Colombia	[note: Colombia's only S.O. is related to justice system]										
Costa Rica	3	4					4		3,4		3,4
Dominican Republic	1,2,4	1	1,2					1,4	1,4		1,2,4
Eastern Caribbean	4						4		4		4
Ecuador	1,4	1							1,4	1	1,4
El Salvador		4						4	1,4		1,4
Guatemala	1				4			4	1,4		4
Guyana			2				2				1,2,3,4
Haiti	2,4								1,4	4	1
Honduras	1,4							4	1,4	1	1,4
Jamaica	1,2,4	2,4	2				1,2,4		1,2,4	1,2,4	1,2,4
Nicaragua	4	1,4			4				1,4		1
Panama	1								1		
Paraguay									1	1	
Peru	2		1,2						1,4		1,2,4
G/CAP	1	4					4	4	1,4	1	4
LAC Regional	1	1	1			1			1,4	1	1,4

Source:

1-CONGRESSIONAL PRESENTATION 1995

2-ACTION PLAN 1995

3-COUNTRY HIGHLIGHTS 1995

4-CDIE Project Abstracts, 1985-95

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ANNEX D

NIST Small and Medium Enterprise Proposal

RESEARCH, DEVELOPMENT, TEST AND EVALUATION

TO SUPPORT A

"GLOBAL MARKETPLACE FOR SMEs"

IN LATIN AMERICA AND THE CARIBBEAN

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

STATEMENT OF WORK, FY1996



ACRONYMS

1. G-7 - Group of Seven (participants are Canada, France, Germany, Italy, Japan, United Kingdom, United States, and the European Community)
2. LAC - Latin America and the Caribbean
3. SMEs - Small and Medium Enterprises

TASKS

1. Determine the applicability of a World Wide Web architecture (e.g., that planned by the G-7 initiative on Global Marketplace for SMEs) to a possible LAC pilot.
 - a. Purpose: To ensure the feasibility and develop the general architecture of a pilot project for the LAC region that will be compatible with and build on the G-7 initiative.
 - b. Plan of Work: This will include a review of USAID information on the communications infrastructure, computer availability, computer literacy, laws and regulations, etc. of an LAC country selected by USAID. Assistance from USAID, its contractors, and other agencies will be needed.
 - c. Impact: This task is necessary to collect the basic information to ensure that the pilot project will be compatible with existing investments in hardware, software, data, and human resources.
 - d. Deliverables:
 - i. Collect and analyze information on communications infrastructures, computer availability, levels of computer literacy, laws and regulations, and potential educational and support organizations in the LAC country. Draft summary for USAID review and comment.

Completion: 2 months after receipt of funding
 - ii. Draft analysis for USAID review of the LAC infrastructure that could be used to support a pilot.

Completion: 4 months after receipt of funding
 - iii. Final analysis of the LAC infrastructure that could be used to support a pilot.

Completion: 6 months after receipt of funding
 - e. Estimated Cost: \$75K

2. Determine the applicability of G-7 testbeds, such as CommerceNet, to the LAC pilot.
 - a. Purpose: To develop a detailed architecture and implementation plan for LAC-specific testbeds.
 - b. Plan of Work: Develop a detailed architecture, including components such as the Internet, World Wide Web, Remote Database Access, and a user interface. Identify or develop a testbed that can support LAC requirements, and determine whether the architecture can support that testbed.
 - c. Impact: This task will demonstrate the potential benefits to SMEs in the selected LAC country, and will identify areas in which more powerful technologies are required.
 - d. Deliverables:
 - i. Report on preliminary architecture and selection of possible testbeds.
Completion: 8 months after receipt of funding
 - ii. Demonstration of simple queries in the testbed.
Completion: 12 months after receipt of funding
 - e. Estimated Cost: \$100K

3. Develop an architecture for an advanced testbed based on LAC requirements.

- a. Purpose: To begin development of a testbed that will deliver complete, integrated information packages.
- b. Plan of Work: The principal subtasks are to identify participants and to determine an appropriate vocabulary (including synonyms and other important relationships among terms) to enable them to request information from multiple sources. USAID assistance will be needed in identifying possible LAC participants in a distributed testbed.
- c. Impact: This task will provide the foundation for a much more useful testbed.
- d. Deliverables:
 - i. Selection of participants in an LAC distributed testbed.
Completion: 16 months after receipt of funding
 - ii. Development and review by participants of a suitable user-driven vocabulary for the LAC distributed testbed.
Completion: 24 months after receipt of funding
- e. Estimated Cost: \$75K

4. Test an "information integration engine" that will create information packages from distributed data.
 - a. Purpose: To allow SMEs in the LAC country to be able to request complete, integrated information packages.
 - b. Plan of Work: The principal subtask is to develop an appropriate means for integrating and communicating knowledge obtained from multiple sources.
 - c. Impact: This task will improve the information collection task, which could be a formidable barrier to the participation of SMEs in global commerce. Instead of obtaining scraps of information from many different sources, many of which could be out-of-date, SMEs would get integrated, up-to-date information with a single request. This would reduce training requirements, reduce time and expenses, and increase reliability. The result will be decreased costs and increased volume of trade between the G-7 countries, especially the United States, and the LAC region.
 - d. Deliverables:
 - i. Selection of participants in an LAC distributed testbed.
Completion: 16 months after receipt of funding
 - ii. Demonstration of prototype in selected testbed.
Completion: 24 months after receipt of funding
 - iii. Demonstration of prototype in selected testbed.
Completion: 36 months after receipt of funding
 - e. Estimated Cost: \$75K

ANNEX

This project is intended to adapt the technologies and experiences of the G-7 initiative on "Global Marketplace for SMEs" to the requirements of the LAC region.

The principal objective of the G-7 initiative, and this proposed project, is to promote trade efficiency by enabling SMEs to obtain the information that they need for global trade with one another or with large enterprises. Among the critical technologies are communications, security, and the efficient management of large, distributed information resources. Equally important, particularly to the poorer countries, are special adaptations to local conditions, such as the availability of computer and communications hardware, availability of expert assistance, accommodation to special vocabularies, availability of information about laws and regulations, etc. These adaptations suggest the need to develop special human-machine interfaces that will be appropriate to the LAC region.

Particularly important issues are those of information distribution and vocabulary. It is quite unrealistic to assume that there will be any single repository of information about all of any country's SMEs; the information is much more likely to be spread throughout a number of independently-developed repositories in a variety of structures and formats. The SMEs should be able to obtain the information that they need without having to be aware of where it is stored. Also, it is unrealistic to assume that vocabulary will be uniform; there are likely to be substantial differences within each country and even within very specific industries within a country. There are, of course, even greater differences between countries.

A long-range goal of NIST is to develop an "information integration engine" to resolve many of the problems with information distribution and differences in vocabulary. The "information integration engine" will provide an interface which can be used by an SME to easily and reliably specify an integrated "information package" rather than a collection of fragmented queries to different information sources. The scope and duration of the "information integration engine" project are well beyond this proposal, but parts of the larger effort should be adaptable to satisfy many LAC requirements within a relatively short period of time and at a minimal cost.

ANNEX E

USGS Geographic Information Infrastructure Proposal

Program Description Hemispheric Geographic Information Infrastructure Enhancement by the U.S. Geological Survey

The National Mapping Division (NMD) of the U.S. Geological Survey (USGS) will provide a three-year technical assistance program of geographic information infrastructure enhancement for the Western Hemisphere. The USGS technical assistance will promote the creation of on-line, public access data distribution systems to facilitate the exchange and use of hemisphere-wide digital spatial data, coordination of requirements and standards among national mapping organizations, and promotion of increased production of base category geospatial data for the advancement of environmentally sound free trade. The Earth Resources Observation Systems (EROS) Data Center will lead an effort which draws upon NMD resources from across the organization.

The State Department and USAID are implementing a policy to encourage environmentally sound, broad-based economic growth by decreasing impediments to free trade and by promoting infrastructure and practices which will increase free trade throughout the Western Hemisphere. Geospatial data processing is increasingly used by business to plan and conduct commercial activities, by non-governmental organizations (NGO's) for conservation and sustainable development projects, and by government for policy formulation, implementation, and evaluation in the areas of natural resources management and economic development. Enhancement of the flow of information and increased exchange and use of digital geographic data will contribute to both increased trade and responsible use of natural resources.

The multi-disciplinary value of a spatial data infrastructure is broadly based. Spatial data describing the hemisphere can be used to identify and evaluate new commercial opportunities (through marketing/population studies, evaluation of transportation and shipping alternatives, identification of climate and soil conditions favorable to new crop varieties, etc.), and to address questions of environmental monitoring and protection (through analysis of gaps in habitat protection and biodiversity conservation studies, assessment of changes in land cover and climate, and detection of encroachment upon protected areas).

The USGS has a central role in the the United States' efforts to establish a National Spatial Data Infrastructure (NSDI) consistent with Executive Order 12906. Executive branch leadership for this activity rests with the Federal Geographic Data Committee (FGDC), chaired by the Secretary of the Department of the Interior. The USGS will build upon experience gained with FGDC to promote NSDI concepts of data standards for collection, documentation, and exchange throughout the

hemisphere. The development of a hemispheric spatial data infrastructure will be encouraged and promoted. It will consist of technology, policies, and people promoting the widest possible dissemination and use of geospatial data.

Investment in geospatial data production, management, and dissemination is reaching large proportions. The FGDC estimates that the U.S. federal government alone spends \$4 billion annually. Unfortunately, much investment occurs in an uncoordinated fashion, leading to duplication of costly data production and maintenance efforts. All too often, data already exist, but are hard to find, undocumented, or in incompatible formats. Development of a hemispheric spatial data infrastructure will reduce costs by bringing together data providers and users to increase the ease of obtaining and using data, accelerate the development of trade-enhancing applications, and increase the number of customers for geospatial data sets. The overall benefit realized will be in the form of improved decision-making for sustainable development by business, NGO's, and government.

Certain data themes are of fundamental importance across all disciplines. For this reason, USGS will place emphasis upon enhanced availability of data in the following categories: geodetic control, transportation, hydrography, governmental boundaries, elevation, and cadastral data. There will be three major thrusts to the effort to develop a hemispheric geographic information infrastructure. First will be the establishment of a hemispheric geospatial data clearinghouse. The clearinghouse will not be a central repository for physical data storage, but rather a distributed, electronically connected network of geospatial data producers, managers, and users. It will serve metadata (data describing geospatial data) at clearinghouse sites linked through the Internet. On-line access to geospatial data will be promoted, but is not a requirement. The second thrust will promote the adoption of standards for data documentation, collection, and exchange, to reduce technical obstacles to widespread data accessibility. The third thrust will be in the area of the development of procedures and partnerships for increased production of geospatial data and accompanying metadata.

As a first step toward the establishment of a hemispheric data clearinghouse, USGS will inventory spatial data holdings and production programs throughout the Western Hemisphere. The inventory will be conducted with an initial emphasis upon data holders in the U.S., such as the Defense Mapping Agency, the National Aeronautics and Space Administration, Census Bureau, and others. The domestic effort will be followed up by short-term trips to countries within the hemisphere to meet with data provider organizations. The inventory will collect information from data holders regarding areal extents, scales, terms of availability, price, format, and planned or active programs for new data capture.

Using the results of the inventory of spatial data in Latin America, USGS will establish a clearinghouse and begin populating it with metadata. The establishment of clearinghouse sites outside the U.S. will also be encouraged. Where needed, technical assistance will be provided to serve metadata and stage

geographic data sets. Promotion of standards, especially for metadata, will be an integral part of this activity. Contacts made through the inventory will contribute to the identification of the best prospects and opportunities for building up and completing hemispheric basic data themes for sustainable development. In coordination with USAID, USGS will establish cooperative agreements with other mapping organizations, provide technical assistance, and contract with private firms, where appropriate, to further strengthen the spatial data infrastructure of the Western Hemisphere.

The outcome of USGS technical assistance will be a strengthened geographic information infrastructure consistent with USAID's objective of expanded, environmentally sound, and in the equitable free trade hemisphere.

**USAID/LAC Hemispheric Free Trade Expansion
USGS Geographic Information Infrastructure Enhancement**

CATEGORY	FY 1995	
	FTE	Amount
Program/Project Management	0.09	\$9,000
Digital Cartographer	0.17	\$6,630
Digital Standards Expert	0.12	\$12,000
WWW Programmer	0.25	\$11,250
Spatial Data Mgmt Developer	0.15	\$11,700
Remote Sensing Scientist	0.05	\$3,150
Data Management Specialist	0.14	\$6,440
Data Researcher/Librarian	0.29	\$15,950
Administrative Assistant	0.03	\$1,200
Secretarial Support	0.03	\$1,080
Travel - Domestic		\$4,800
Travel - Foreign		\$6,440
Supplies		
Computer Expenses		\$25,360
Contracts		\$10,000
Activity Total	1.32	\$125,000
LOP Totals	1.32	\$125,000

Note: Figures are loaded with 40% overhead, except Supplies, Computer Expenses, and Contracts, which carry 20% overhead. Inflation is assumed at annual rate of 2.5%

IFDC Fertilizer Trade Rationalization Study in LAC

REQUEST FOR FUNDING**An Examination of Privatization and
Free Trade Issues Facing the Fertilizer Production/Supply
Subsector in Central and South America (Latin America)
Phase I - Data Collection and Analysis**

Submitted to

The United States Agency for International Development (USAID)

by

The International Fertilizer Development Center (IFDC)

P.O. Box 2040

Muscle Shoals, Alabama 35662 U.S.A.

September 11, 1995

REQUEST FOR FUNDING

**An Examination of Privatization and
Free Trade Issues Facing the Fertilizer Production/Supply
Subsector in Central and South America (Latin America)
Phase I - Data Collection and Analysis**

Project Output

The data developed and analyzed will be reported in a benchmark report for future use in producing an issues paper which will (1) identify the major policy-related, organizational, and informational constraints and barriers to free trade in fertilizer in the Latin America region, (2) prioritize the major constraints, and (3) provide a basis for the development of an action plan to remove the constraints in a site-specific and country-specific fashion. Specific emphasis in the benchmark report will be placed on the following factors in fertilizer production:

- Energy efficiency.
- Competitiveness.
- Environmental regulations and compliance.
- Worker health and safety regulations and compliance.

Scope of Work

IFDC will:

1. Collect data and perform an analysis to assess the fertilizer production/supply and trade subsector constraints in Latin America based on desk research of published and unpublished data, supplemented by limited field evaluation.
2. Integrate these data with similar data from the United States and Canada
3. Assess the following factors with specific reference to their impact on free trade of fertilizer raw materials and products where data are available:
 - National Economic Policy - financial, fiscal, and trade issues.
 - National Agricultural Policy - prices, markets, and land tenure.
 - Agricultural Sector Structure and Technology.
 - Agricultural Input and Output Supply, Demand, and Marketing Systems.
 - National Industrial Policy.
 - Fertilizer Industry Structure and Technology
 - Fertilizer Subsector Policy Environment.
 - Transport and Physical Distribution Systems.
 - National Energy and Environmental Policies.
 - Quality Assurance Relative to Domestic and International Trade.

It is proposed that the detailed country-specific data collection and analysis will be limited to the following Latin American countries which provide a balanced cross section of industry structure, and economic development in the Caribbean and South American economies: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Jamaica, Mexico, Peru, and Venezuela.

Proposed Personnel and Budget

The proposed IFDC team will consist of (1) an economist/policy reform specialist, (2) a fertilizer technology specialist, and (3) a trade and marketing specialist. The estimated cost of \$76,650 is based on 3 work-months for data collection, analysis, and benchmark report preparation.

Timeframe

The proposed work can begin within one month after receipt of funding and is expected to be completed during the first quarter of 1996.

ANNEX G

Harvard Interest-Based Concession Agreement Study

Operationalizing Commercial Forestry In Latin American Indian Communities

Land Tenure, Natural Resources and Conflict Management

**An Unsolicited Proposal Submitted to:
LAC/RSD-BBG
for Assistance in the Bureau Goal:**

"Encouraging Broad-Based Economic Growth"

Contact:

**Dr. Theodore Macdonald, Associate Director
Program on Nonviolent Sanctions and Cultural Survival
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OPERATIONALIZING COMMERCIAL FORESTRY IN LATIN AMERICAN INDIAN COMMUNITIES

Introduction

This proposal seeks funds to undertake the first phase of a two-phase applied research and regional field project designed to establish conditions precedent to implementing a broad program of "Free Trade in the Americas." The work will contribute to AID's Agency/LAC Bureau Goal "Encouraging Broad-Based Economic Growth." It will focus on a single, critical, and highly visible aspect of the developing regional economy--forestry--and suggest social and technical means to permit participation in the development and management of forests by local corporate entities, specifically indigenous peoples and their organizations.

Field work in several LAC countries and general research will produce a coordinated review and analysis of:

- the current situation of forestry in Latin America;
- the status of "common property;"
- sources of inter-ethnic conflict;
- new tools for inter-ethnic conflict management;
- the use of GPS and GIS for mapping and conflict management; and
- computer-based regional conflict monitoring for very early warnings.

By extension, the work will demonstrate some of the local conditions and considerations necessary to encourage international investment, marketing and trade arrangements.

The approach will consider incentives and disincentives for the communities and for the forest industry as well. The results will illustrate: 1) field-based and broad research methods to increase local involvement in an industry which could easily be dominated by large companies; 2) means to identify and manage inevitable disputes over such resources and thus avoid the violence which can halt investment and economic growth and; 2) ways to demonstrate the security needed to encourage local and international investors and concessionaires to invest and trade in the region and to collaborate sensitively with local corporate groups.

The two phases of the work are:

Phase I. June 1995 - June 1996

Initial Design: General and on-going project-focused research in specific LAC countries, leading to expanded project design. Products will be:

- 1) General report which draws data from projects and independent research
- 2) Project outline for 2-3 year program expanding on methods and recommendations of Phase I

Phase II. July 1996 - June 1998

Implementation and regional expansion: Shift in program emphasis from research to field application of methodologies developed in Phase I and, consequently, expanded range of field initiatives.

This proposal reviews the rationale for entire the project and its relevance for expanded work. However, the primary foci, schedule, and budget details here refer only the work to be undertaken during Phase I. The details of Phase II will depend heavily on the results of Phase I and the subsequent availability of funds. Nonetheless, the project is designed such that the products developed during Phase I can stand by themselves.

PHASE 1

This research will combine:

A. Field Work

Field work will include:

- on-going participation, observation, documentation, and analysis of field projects in richly-forested, lowland areas of Mexico, Nicaragua, Ecuador, Peru and Venezuela where land is titled or claimed by indigenous peoples..

- continuation and analysis of current project-level and regional-level mapping and training with GPS and GIS with indigenous communities.

B. Research

Research will focus on and illustrate the relationships between the following:

1. The current status of Latin American and Caribbean forestry
 - a. Community-based
 - b. State-to-industry concessions
 - c. Community-to-industry concessions and easements
2. Theory and practice of management and governance of "common property"
3. Sources of regional, natural resource-based, inter-ethnic conflict
4. Recent inter-ethnic conflict management and negotiation analysis and techniques regarding natural resources
5. Uses of geomatic technologies and other techniques for land demarcation and resource management.
 - a. Current and Potential uses of GPS and GIS in LAC forest regions
 - b. Current use of geomatics in comparable environments.
6. Feasibility of using computer-based, conflict monitoring systems for "very early-warnings" of resource/trade-based conflicts.

Rationale

As regional economies move toward a "Free Trade Area of the Americas," several related issues arise. Among these are:

1. The lingering shadow of local events and international repercussions --direct or indirect, warranted or unwarranted-- which followed the January 1994 inauguration of the NAFTA accords. This led to:
 - violent ethnic conflict at a local level;
 - political destabilization and uncertainty at a national level; and
 - strong, negative reactions to those local actions by North American and other members of the international investment community (e.g. one major US mutual-fund company negatively affected by incidents in Mexico reduced funds for its global "emerging markets" portfolio from \$9 billion to \$2.3 billion).
2. The flow of materials in this trade will certainly include a movement of natural resource products from north to south. There is considerable concern, nationally and internationally, over the sustainable management of these resources.
3. Those who control (or are perceived to control) this flow of resources are dominated by interests ranging from foreign corporations, to large national companies, or to joint ventures which link foreign and national (private or public) capital. This has already produced local expressions of concern and protest with regard to future free trade.
4. At present, even in the countries with the most advanced economies (e.g. Mexico, Brazil, Argentina, and Chile) there is little real or perceived benefits to small-holders and groups such as indigenous peoples. This too has already produced local expressions of concern and protest with regard to future free trade.
5. All of the above concerns are heightened when anticipated free trade accords are opened to those members of the broader regional LAC community perceived as less experienced and less stable than the larger countries.

Such considerations support and encourage the AID Agency/LAC "Broad-Based Economic Growth" initiative. As a partial response to that initiative, this proposal outlines a research project which will focus on responses to the following broad questions.

1. Can local groups take advantage of and benefit from these new arrangements, or will an emerging economy be dominated by larger national and international interests?

2. How can this trade initiative work to provide the sorts of local control and monitoring of natural resource use which, many would argue, encourages long-term or sustainable development?

3. How can local and national entities and economies --many of which are far less-developed and familiar potential trade partners than countries such as Mexico or Brazil-- demonstrate that they can provide the security and stability essential to encourage international investment and agreements which would permit broad-based economic growth?

The project's overall research design and anticipated subsequent implementation suggest a means to approaching these larger questions. However, its main focus will be on a limited resource and a particular subset of the regional population --natural forests and indigenous peoples.

Forestry and Indigenous Communities

Timber in Latin America

Timber will stand out among the many traditional and non-traditional exports anticipated by expanded LAC regional markets. Recent studies illustrate that as sources of tropical hardwoods from Asia and the Pacific have decreased sharply since the 1990s, they are being replaced rapidly and in increasing amounts by sources from Latin America (e.g. Colchester 1994, Grainger 1987, Downing et. al, 1992, Laarman 1992, Sizer and Rice 1995).

Independent Commercial Logging

Much of the commercial forest exploitation in Latin America is currently undertaken by companies from outside of the region, with minimal concern shown to long-term management, despite some movement toward sustainable development within the industry (e.g. contrast Sizer 1995, Sizer and Rice 1995, *WRI 1995 with Tomorrow 1995*). In addition to the shift in focus from Asia and the Pacific, logging in Latin America is expected to significantly exceed that of Asia and the Pacific.

Community-based Forestry

Several recent evaluations of community-based forestry enterprises (Cultural Survival Quarterly 1993, Macdonald 1995, Benavides and Pariona 1995, Lehm and Kudrenecksy 1995, Forster and Vargas 1995, Forster n.d.) suggest that --for a variety of social, economic and political reasons-- many of the region's current community-forestry projects are not yet in a position to manage small or large-scale commercial forestry. An analysis of these local production systems and criteria for potential participation in future trade will form a part of the research project.

Community-Industry Enterprises

For the immediate future, forests (and similar natural resources) located on territory owned or claimed by indigenous communities will most likely be harvested, managed, and marketed through agreements between local, corporate communities --i.e. owners and/or claimants of the resources-- and independent lumbering companies --i.e. those currently capable of harvesting and marketing these resources. As such, much of the research proposed here will focus on methods to "level the playing field" for interaction between communities and industry through local use of high technology mapping and land use systems (geomatics) and the implementation of newly-developed ADR (Alternative Dispute Resolution) approaches in disputes over land and resources.

Indigenous Corporate Communities as Suppliers and Beneficiaries

Much of Latin America's timber resources currently lie on lands owned by or claimed by indigenous communities. Current estimates indicate that indigenous communities have legitimate claims to over 500 million acres lands of forest in the Amazon Basin alone. The Worldwatch Institute estimates an equivalent figure of 13% for the Americas as a whole. If the regional governments move to resolve disputes, current claims could become secure land tenure during the early 21st century.

Precarious Tenure

Despite a move towards increased recognition of community land and resource rights, current land and resource tenure rights generally range from precarious to non-existent. Current local concerns are compounded by a history of economic exploitation, leading to strong and general mistrust by most indigenous peoples of non-Indian national and international business. As such, inter-ethnic disputes and conflicts are inevitable. However, these conflicts need not lead to violence nor do they necessarily prohibit sensitively negotiated agreements in the future.

Several recent regional agreements and the conditions which permitted them will be highlighted in the proposed research. As an illustration of the range of problems and solutions, the September 1995 Cultural Survival Quarterly "Negotiating Natural Resources" will focus exclusively on natural resources, related inter-ethnic conflict, and innovative dispute resolution mechanisms.

Resource Management Policy

Presently and historically, efforts to establish and implement use and management policies have developed either from independent government initiatives (often advised by and supported by bi-lateral or multi-lateral donors) or through agreements between concessionaires and government agencies--i.e. they generally by-pass community organizations. On the one hand, these sensitivities present problems for any effort to establish broad-based economic development. On the other hand, growing local, national and international awareness and criticism of such actions will almost certainly lead to future disputes and inter-ethnic conflicts. These, in turn, can stifle interest and growth in trade. Again using Mexico as the example, such disputes and conflicts, however small by current global standards or debatable in terms of their true relation to expanded trade agreements, are nonetheless associated in the minds of many with local instability and thus inspire more caution than confidence. At a regional level, even greater perceptions of instability persist. Such concerns can easily slow or halt future investment.

Indigenous Organization for Land and Resource Rights: Corporate Communities

Contemporary Latin American indigenous communities are far from the isolated, unsophisticated entities that many imagine. Since at least the early 1980s the region has been witnessing an increasing degree of local organization, a resultant focus by indigenous organizations of the indigenous peoples' status within the regional political economy, and wide international support for indigenous rights to land and resources (Smith 1985, Macdonald 1994, Davis 1993, Chiriff, Garcia and Smith 1991, Burger 1987, Cultural Survival Quarterly 1984). Consequently, in terms of formally-recognized governing bodies, most communities are now legal corporate entities, and thus in a position to negotiate a wide range of agreements with regard to land and resource use.

Disputes emanating from latent conflicts and poorly managed negotiations can and have disrupted even the most progressive efforts by companies to work with local organizations (e.g. Riley and Sebanus in press). The possibility of such disruptions and delays alone would recommend careful and informed negotiations as well as subsequent mechanisms to manage grievances and compliance.

In addition, any likelihood of negative publicity could easily dull the interests of many progressive companies, thus inviting investment exclusively from those less concerned with broad-based support or sustainable management (e.g. see Harvard Business School's "Case Studies" of Conoco Oil in Ecuador and Scott Paper in Indonesia, and Riley and Sebanus in press). Much of the research proposed here will center on means to improve information exchange and, by extension, relations between local indigenous communities and timber concessionaires.

***Creating Parity
"Working Relations" and Negotiated Agreements***

At present, most Latin American indigenous communities are not in a position to negotiate as equals with experienced lumber companies and government agencies either from a political, technical or economic standpoint. One of the main goals of the research project, therefore, will be to establish the means for identifying and defining the conditions needed to permit such broad-based involvement. A second goal is to identify the technical assistance -- particularly geomatic mapping and land use technologies-- needed to place these communities in a more balanced negotiating position.

Several recent cases serve as examples for establishing the terms and conditions needed to prepare groups and subsequently negotiate acceptable and workable agreements. These will serve as the base studies for the proposed research. Each case is:

- drawn from the Latin American region --Bolivia, Ecuador, Mexico, Nicaragua, and Venezuela;
- linked to organized, corporate, indigenous communities;
- well-known by members of the research team; and
- aided by technical support utilizing various forms of geomatics --GPS (Geographic Positioning Systems) and related land and resource mapping systems (e.g. GIS, or Geographic Information Systems).

Methods

Institutionalizing Broad-based Participation

Broadly, the research will focus on an "institutional approach" to common property management (Ostrom 1992, Bates 1988, Pinkerton 1987). The approach contrasts notably with other efforts--governmental or industrial--to govern and manage many of the lands normally sought for forest production. To illustrate, there is often misunderstanding (genuine or intentional) as to who holds rights over much of the land now used for forestry. Many communities clearly define sections of their territory as "common property"--i.e. lands held jointly by some corporate unit but used individually. By contrast, the state, private individuals, and corporations often seek to define such lands as unoccupied, idle, or waste lands (*Sp.tierras baldias*). These lands thus become property of the state, over which it can exercise rights --conservation, production, rent, or sale. By extension, any policy initiative regarding use emanates from some form of state-level governing body which expects or hopes that those who actually draw from or otherwise manage the resources will either adhere voluntarily to the policies or will respond to coercion or restraints. Such plans and expectations, however, are frequently frustrated by non-compliance or other forms of evasion at a local level.

To explain this failure, Ostrom notes that in many of these failed cases the access and use rules are established by those unfamiliar with local rules, informal boundaries, related problems, or other sources of potential conflict. Similarly, physical and social distance, or an inability to accurately access perceived violations, severely limits high-level governing bodies' ability to identify instances of non-compliance and/or to enforce compliance. In brief, in terms of "operationalizing" rules, such bodies rarely have either the local knowledge to design appropriate and acceptable rules or the local presence to identify and control violations.

By contrast, the proposed "institutional" approach reverses this governing process and begins with the stakeholders and their local knowledge. Here the various stakeholders create a set of mutually-negotiated "working relations." These, in turn, are loosely converted into "operational rules." These relations are progressively strengthened, defined and formalized into policies which are administered through formal governance rules and bodies (Ostrom 1992:29-57). Likewise, when there are violations of the mutually-agreed upon rules, recourse can be sought through the policies and applied by the governance system. In the case of a wood lot, for example, the property owner(s) work out an agreement with potential users (loggers) which is then submitted for approval to some superordinate body (the governance aspect) which defines the agreement as "policy" and subsequently oversees and controls violations by simply holding violators to their own agreements.

The logic is that those who reach the agreement best understand its nuances and complexities and are in a better position to monitor for violations, something which most government agencies or similar superordinate bodies simply cannot do. That is, the researchers will seek means to "operationalize" rules for self-organization and self-governance of land and resources.

Inevitable Conflicts

The ability to establish "working relations" assumes a degree of balance which often does not exist. In part, the research will consider how to arrive at these working relationships. The overall goal is to anticipate conflict (often inter-ethnic in many of these situations) and identify means whereby the potential sources can reach a common agreement.

Examples of such agreements have been obtained by looking at small-scale decisions where efforts to approach rules, rights and responsibilities are created among the various claimants themselves. Though this is the sort of process and resultant structure which many Latin American indigenous organizations seek, the initial negotiation to create acceptable "working relations" between the indigenous/ethnic groups and State are barely underway.

GPS and Related Technologies: Moving Towards Parity

To operationalize an agreement to which the parties can cooperatively agree and with which they willingly comply assumes a certain degree of parity among the parties. For much of Latin America, this sort of relationship between local indigenous groups and others--e.g. government and/or industry--is historically strained or non-existent.

However, the recent introduction of user-friendly, sophisticated "geomatics"--i.e. the electronic elaboration of traditional mapping technologies for recording, storing, manipulating and analyzing geographic data--now provides local communities with a technical means to level the field of negotiation and compliance with land use agreement. Negotiations among these "information equals" will help to establish informed, mutually-satisfying agreements which can be subsequently monitored for compliance. As such, they provide one of the essential components for establishing the conditions needed to operationalize relations between corporate indigenous communities and timber extractors. The nature and use of such technologies in specific field situations and negotiations will be a central focus of the research project.

Monitoring for Incipient Inter-Ethnic Conflict

As a part of the applied, focused research, during Phase I, we also propose to coordinate the case study analysis with a feasibility study for a computer-based, regional monitoring system. We will emphasize very early, predominantly nonviolent, warnings regarding the sources and stimulation of conflicts (e.g. the announcement of new development initiatives, resultant protests, boycotts) and incipient disputes. This will be done through testing of the Protocol for the Assessment of Nonviolent Direct Action (PANDA) program, currently part of the joint Program on Nonviolent Sanctions and Cultural Survival at Harvard's Center for International Affairs. PANDA currently draws from Reuters World News Reports' "HLEADS" (i.e. the first lines of each news story) and automatically codes the actions reported across both descriptive and synthetic fields. Descriptive codes include the sources and targets of action, the type of political action, and the location of the event. Synthetic codes include the issue motivating the action, and an assessment of whether the event is best understood as occurring within, or beyond, the realm of routine, rules-governed political behavior. This technique allows us to compile statistical profiles of international political activity, highlighting types of action, groups taking action, and illustrating trends and patterns of political engagement over time.

Combined with the Cultural Survival Center's field-data-based methods, the two perspectives provide essential information on environmental, political or development related change and subsequent human responses. This is applied to the task of interpreting and analyzing both the precedents of inter-ethnic disputes, and the process of their development within larger political and socio-economic arenas. The complementary, interdisciplinary team research project and its combined tools also provide essential data to inform and suggest methods for specific conflict management. PANDA's overall goal is to provide a methodology for monitoring, interpreting and analyzing data in order to suggest policy guidelines and subsequent interventions for policy makers.

In summary, the specific goals of the project are to:

- establish criteria for identifying and defining corporate indigenous forest communities which can or could participate in the region's broad-based initiative;
- suggest conditions to enable additional involvement;
- identify and assess ways in which new, electronic mapping and land use tools -- broadly defined as "geomatics" and generally a combination of GPS and GIS-- can contribute to that process;
- illustrate conflict negotiation methods that help to place communities in positions that permit balanced and informed decisions and negotiations for land, land use, land rights and resources; and
- configure an existing computer-based "very early warning system" for conflict monitoring to pick up specific early warning of emerging conflicts related to trade, development projects, land tenure, and other tensions before they escalate into violence and, thus, when opportunities for program-related or similar development interventions are possible and recommended.

Additional Project Outputs

The research and recommendations will focus on a single industry (forestry and a limited range of actors) corporate communities, concessionaires, and related government officials. However, the methodologies will also illustrate ways in which methods gleaned from these cases and the recommendations that follow can be extended to other critical contexts--e.g. broad regional agreements on issues such as marine resources, agricultural production, or air and water pollution--which have or could become sources of inter-ethnic or similar conflicts. This includes such broad but poorly defined areas as "preventive diplomacy" and "incentives" to the business/investment community.

Collaborative Research

Principal Researchers

The lead institution (professional staff and administrative support) for the research project will be the Program on Nonviolent Sanctions and Cultural Survival, at Harvard University's Center for International Affairs. This program includes the Cultural Survival Center, the formal research wing of Cultural Survival, and thus draws on over 15 years of project work and field-based research, particularly among the indigenous residents (and their respective organizations) in the lowland forests of Latin America.

The co-principal researchers include specialists with technical expertise and field experience in geomatics--the LEO (Local Earth Observation) Project of Ottawa Canada--and

specialists in Latin American land use and land tenure --the University of Wisconsin's Latin American Studies Center and the Land Tenure Center.

Technical Support

In addition, the research and recommendations will draw direct collaboration from specialists in development economics, forestry, land tenure, and land use/resource mapping technologies from other US universities (e.g. Clark University's Idresi Project (GIS) and the University of Kansas' Central America mapping project), governmental and non-governmental agencies, and LAC regional indigenous organizations.

Conflict Management: Policy and Practice

Harvard University's *Program on Negotiation* pioneered the widely-used negotiation methods now referred to as Alternative Conflict Resolution (i.e. alternative to win/lose or litigation-based dispute resolution). At present, a Cambridge-based outgrowth of that program --the Conflict Management Group (with regional offices in Bogota, Colombia), is pioneering new field practitioner methodologies to meet the recent proliferation of inter-ethnic conflict worldwide.

The Cultural Survival Center has been working with the Conflict Management Group informally and formally for over two years. As part of that work CMG's Senior Consultant for Natural Resources will coordinate a special issue of the Cultural Survival Quarterly-- "Negotiating Natural Resources" (September 1995)--that will include case studies and new theory for negotiating disputes involving ethnic groups and natural resources.

In addition, in late May 1995 CMG will convene the initial work sessions to establish an "Inter-Ethnic Conflict Negotiation Working Group." The working group will draw together practitioners and researchers from several professions to explore and develop new methods and techniques for inter-ethnic conflict negotiation. Several of those involved in the project proposed here will work with CMG practitioners on particular cases as well as on general regional issues linking conflict to natural resources.

In addition, and independent of this initiative, project staff will participate in a June 1995 USDA-Forestry Service conference titled "Environmental Dimensions of Cultural Conflict." Following a series of small-group presentations and discussions, the panel of experts will present policy and research recommendations to international-affairs experts, State Department staff, senior officials of land-managing agencies, selected congressional delegations, selected embassy staffs, and bi-lateral and multi-lateral donor agencies.

Project Outline: Phase I 1995-1996

As outlined in the introduction, the project involves a combination of field work and research. If requested, we will present a detailed work schedule for Phase I, 1995-96. In the meantime, we review here the proposed work.

A. Field Work

The project will suggest general policy and future projects based on the researchers' experience, observations, and analysis of illustrative cases currently underway in Latin America. The bulk of the data will be drawn from studies of rural community initiatives, primarily from on-going work by two of the principal researchers currently working in Nicaragua and Venezuela. Land rights and resource management project plans in these two areas illustrate the classic tensions and complex property rights/resource use problems that pervade the region. They likewise demonstrate current use of GPS (Geographic Positioning System) as an approach to land demarcation. Both are also projects where GIS (Geographic Information Systems) and related geomatics will serve as a means to monitor compliance with contractual or other agreements and to plan future resource management programs. In addition, these are areas in which additional methods for conflict analysis and negotiation are anticipated. Although each project currently centers on different natural resources, broad issues of land tenure and resource rights are analogous and thus establish the cases as comparable and representative.

The research will also draw on reviews of work in other critical lowland forested areas of the region. These include, but are not limited to, projects in Mexico, Ecuador, Bolivia and Peru where future work is anticipated. Each case builds from current or past projects involving indigenous communities and a range of forestry alternatives. Each will draw on personal experience and research by members of the primary research team's work with specific projects. In addition, the general, broad multidisciplinary approach to problems and the methods can be applied to other countries as well--e.g. Bolivia, Paraguay, Colombia.

Indigenous "Territories"

In each of these areas, indigenous communities are working to establish rights to broad and quite extensive indigenous "territories," rather than exclusive individual plots or single-community land titles. This land category is unique; as a "territory," rights--e.g. access, use, resource ownership, royalties and similar uses--are open to negotiation and do not necessarily exclude any form of agreement or limit activities. On the contrary, the legal mechanisms which follow formal "territorial" recognition might include:

- private/community land titling;
- granting of easements for commercial activity;
- the creation of a reserve or protected zone; and/or
- the establishment of a cooperative management regime.

As the entire region moves toward a "Free Trade Area of the Americas," these new forms of tenure, use and subsequent management illustrates a range of means to negotiate and permit broad-based market participation and to seek long-term resource management.

Two cases have been identified for intensive analysis

1. Nicaragua

The Awás Tingni Land Demarcation Project

In 1987, the Nicaraguan National Assembly granted regional autonomy to two large sectors of Nicaragua's Atlantic Coast. Despite that Autonomy Law, vague or non-existent regulations have complicated efforts to establish clear title for most community lands of the region. Meanwhile, Nicaragua's on-going economic crisis has led to a rush, often relatively uncontrolled, for control and use of the region's natural resources. This has produced numerous disputes and conflicts over land and resource rights and use.

On-going disputes have been particularly notable in the resource-rich (tropical hardwoods and minerals) areas of the coastal tropical forest uplands of the Northern Autonomous Region (e.g. Bosawas). Though the region is the traditional homeland of Sumo Indians, the area is currently inhabited, and land rights disputed, by a mixture of Sumo and Miskito Indians as well as colonists from Nicaragua's Pacific coastal region.

The Awás Tingni project began when a Dominican lumber company sought logging rights on lands occupied by Sumo Indians along the Wawa River where the Ministry of Natural Resources had, without informing the residents, declared the region as a "protected area." The project proposed here will detail nearly-two years of difficult negotiation until, on 15 May 1994, the Sumo Indian Community of Awás Tingni signed a trilateral agreement with a foreign-owned timber company and the government of Nicaragua for large-scale lumbering on lands claimed by the community.

The agreement, negotiated under the eye of a major international environmental organization, is an effort at a new model of forestry development that is economically beneficial, environmentally sound, and respectful of the human rights. However, in light of current and future violations of the agreement, the community has sought technical assistance to undertake an innovative, on-going community effort to strengthen contract compliance through formal recognition of broad territorial claims substantiated by current and historical land use patterns as well as spiritual ties to the landscape.

Aided by GPS, the community has prepared a "territorial map" which will serve as the basis for discussion of land rights and any future land use agreements with commercial enterprises in the area. The evolution of this project will thus illustrate ways that some of the region's poorest and least commercially-experienced inhabitants have become involved in the design and monitoring of land and land use through the sort of "institutional approach" recommended for much of AID's proposed work.

Detailing the past and current experiences of this project--in which major actors include the regional and national government agencies, international environmental organization, local corporate (i.e. formally organized and recognized) communities, and foreign investors and companies--will form one of the principal field-based foci of the project.

2. Venezuela

The Ye'kuana Land Demarcation Project.

This project initially worked to demarcate approximately 5 million acres of the Venezuelan Amazonian region claimed by 2,300 Ye'kuana Indians and obtain recognition as an "indigenous territory" At present GPS-based demarcation has been completed and preliminary "discussion" maps have been prepared. The project is, therefore, ready to begin formal, balanced negotiations with the regional and national government over rights to land and resources and the subsequent "institutionalization" of common property rules.

Though the potential for logging exists and will be inevitable when infrastructure (i.e. roads) permit, present community and government concerns relate to mineral extraction and protected areas. In brief, there have been:

- illegal gold miners;
- violent acts, including murder, as a result of conflicts between the miners and the Indians; and
- unilateral proclamations (or in the words of the indigenous residents a "legal" invasion) to create the Duida-Marahuaca National Park and the Upper Orinoco-Casiquiare Biosphere Reserve. Both have been declared as "protected areas," or Areas Under Order of Special Administration (Areas Bajo el Régimen de Administración Especial, or ABRAE).

Community members argue that the declaration of a "protected area" is a means to expel the illegal miners (an action which the Indians support). But the decision then places their land under government control and thus provided protection only until the "reserves" are needed by the government (an action which they do not support). Echoing a familiar, angry comment, they indicate that "these events have taken place as if the people who have been the original stewards of this land had not been there for centuries. Government officials set themselves up in our communities and made decisions without informing us. We only became aware of the goals and decisions when they were in final draft." In brief, they have issued a plea for an "institutional" solution.

In August 1994 they called a General Assembly to meet, discuss and decide what could be done. Following consultations with non-Indian technicians--lawyers, ecologists, and anthropologists--and with assistance from the Canadian government, the project has developed innovative, cost-efficient methods to undertake the demarcation. After the demarcation, the community will begin a series of additional activities. These include:

- negotiations with government officials;
- local GPS training;
- conversations with indigenous representatives of Panama's Kuna Comarca to consider land use planning; and
- planning efficient means to establish long-term, land planning information systems--GIS.

The work proposed here will monitor and evaluate these activities as they evolve.

Additional field research

Drawing from personal field-experience and on-going, multi-disciplinary university-based research, the principal researchers will extend research and analysis of indigenous land rights and forestry issues in Mexico, Ecuador, and Peru. Much of this work was initiated by the University of Wisconsin-Madison workshops/seminars of 1994-95. These studies are currently being reworked among the participants, and a publication is anticipated in late 1995. However, given the somewhat bleak general assessment of the current state of community-based forestry, the projects and the areas provide an excellent opportunity to consider a range of commercial forestry arrangements as well as a reconsidered approach to community-based forestry.

B. Research

Research will focus on a critical review of current problems, theory and related methodologies relevant to these and to similar projects.

This will include the following:

Current status of Latin American and Caribbean forest management

This work will build on information and utilize a large network of specialists drawn together at the University of Wisconsin-Madison workshops. In addition to direct participation in the proposed project by the organizers of these workshops, the project will draw on an informal working group initiated at the meeting to continue research and analysis on the relationship between indigenous communities, land tenure, and forest management.

Common property theory and practice for management and governance

One of the principal sources of disputes throughout the entire region will be that between community-based claimed "common property" and alternative claimants who will argue that such lands are unoccupied, unused, and thus government property to use and distribute as they see fit. Disputes over these rights lead to conflict at a local level and warranted caution on the part of investors, donors, or potential co-managers. Consequently, research and analysis of practical and theoretical issues related to common property management will make up a large part of the research agenda.

Two of the principal researchers are active members of the International Association for the Study of Common Property (IASCP). During and after the May 1995 meetings--organized under the theme "Rethinking the Commons"--project staff will work with the association and its members as part of the project. In addition, the Winter 1995-96 issue of the *Cultural Survival Quarterly* will focus on "Ethnic Minorities, Indigenous Peoples and Common Property."

Inter-ethnic conflict and inter-ethnic conflict management and negotiation

The project will draw on and incorporate into the planning of Phase I and implementation of Phase II of the new, innovative ADR (Alternative Dispute Resolution) method currently being established at the Cambridge-based Conflict Management Group's "Working Group on Inter-ethnic Negotiations." That group includes direct participation by project staff.

Potential for use of new Geomatic technologies and techniques

The nature and use of GPS and GIS technologies in specific field situations and negotiations will be one of the research project's central research foci. There are two broad uses--land demarcation and land use planning.

Land Titling

Until quite recently most demarcation was undertaken by surveying teams stumbling through the forest to clear individual lots, or by cutting large swaths for larger territories. However, such surveying is extremely time-consuming. Moreover, territorial demarcation can be very costly. In Brazil, for example, the Menkragnoti Kayapo demarcation, 95 kms., cost the Rainforest Foundation \$600,000, 2/3 of which was spent on helicopters to carry cement for territorial markers required by Brazilian law. By contrast, in Bolivia, as in Nicaragua and Venezuela, demarcation of some Indian lands was done with inexpensive GPS. This relatively simple technology radically reduced the complexity and cost of demarcation. In turn, a combination of GPS and GIS such as that used by the LEO project enables a community to regularly and relatively inexpensively monitor its borders.

The project will review the current status and future potential for the use of geomatics in Latin American forests. In addition, the researchers will draw from and review examples for regions where local people have made extensive and successful use of such technologies -- e.g. rural Canada.

Land Use Planning

In Latin America the use of geomatics for land use planning is quite limited. Projects in Ecuador, Peru, and Brazil have begun GIS-based studies but each is still in the planning stages. Consequently, the research will review this work and will also review initiatives in other areas where community-based GPS, GIS and similar geomatic tools have been extremely effective and can thus serve as examples for Latin America.

Regional Computer-based conflict monitoring

As a complement to the highly-focused, project-oriented research on land use and conflict management between governments, the forestry industry, and indigenous peoples, the project also plans to undertake a broad, regionally-based feasibility study during the initial research period. This will be done through the computer-based conflict monitoring *Protocol for Analysis of Nonviolent Direct Action*, or PANDA. The program, now formally linked to the Cultural Survival Center, works to identify "very early warnings" of conflict. Unlike "early warning systems" tuned to pick up only violent acts, and therefore can anticipate the outbreak of increased violence by only a few months, PANDA's "very early warnings"

identifies the sorts of low-level, emerging conflicts and permits interventions which are most suited to broad-based economic development rather than emergency relief or military intervention.

Additional Benefits: Local Agreements as Model for Regional Cooperation

Harvard University's Center for International Affairs recently hosted a conference titled "Linking Local and Global Commons" (Keohane, McGinnis and Ostrom 1992). Those working on international cooperation on global-level economic and ecological issues (e.g. international pollution, acid-rain, marine resources) criticized the view that some form of world government or hegemonic rule was either necessary or possible. Coincidentally, they recommended the sorts of self-defined and self-enforced mechanisms which characterize many of the successful examples of local common property management. In turn, the most detailed studies of existing situations draw on local studies, specifically those which detail the process by which cooperation evolved and institutionalized itself, and subsequently evaluate the ability of the self-governing bodies, supported and enforced by national, regional or international entities. As the countries of the Americas work toward broad international trade agreements and practices, the sort of social mechanisms and related tools to be discussed by this proposed research project will serve as a basis for comparison and adaptation to a variety of additional land use and management situations.

Summary

The project will identify some of the preconditions for the LAC regional "Free Trade Area of the Americas," focusing on the tools and agreements needed to enter that market by those who traditionally have not done so. The research will suggest innovative ways that communities and concessionaires can arrive at mutually-acceptable, informed, and enforceable agreement with regard to the exploitation and management of forest resources. The project emphasis lies on ways to arrive at and maintain working relations through negotiations which draw on new technologies for defining land and resources, operationalizing those self-defined agreements, and subsequently formalizing them into policies which permit monitoring and compliance.

The research draws on specific cases to establish broad guidelines for a single industry --forestry and a limited set of actors--indigenous peoples and representatives of the forest industry. On the one hand, they represent a critical, growing area of concern for any broad-based program of economic growth and are thus worthy of research in and of themselves. At the same time, the social and political mechanisms used and recommended for future development of this area can be applied to a variety of large and small economic arenas which will form part of an expanded trade program of the Americas.

We anticipate that the specific products will be a detailed and highly illustrated research report, leading to a publication, which describes, analyses and graphically displays current activities which link local forest residents, geomatics, conflict management, and future forest use. In addition to the written report, the results will be presented at appropriate policy forum to be determined by AID.

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Proposed Budget
 submitted to AID's Latin American & Caribbean Division
 August 1996

Phase One September 1, 1996 through December 31, 1996
 Phase Two January 1, 1996 through September 30, 1996

	Phase One	Phase Two	Total
Salaries			
Principal Investigator David Maybury-Lewis	\$0	\$0	\$0
Primary Researcher (0.5hr @ \$4,000) Theodore Macdonald	\$2,000	\$10,000	\$12,000
Research Associate* for Conflict Monitoring (0.25hr @ \$42,000)	\$10,500	\$5,250	\$15,750
Staff Assistant (0.5hr @ \$27,000)	\$13,500	\$6,750	\$20,250
fringe on staff salaries (FY96 - 25.5% and FY97 - 30.6%)	\$3,413	\$1,707	\$5,120
* fringe on employee salaries (20.6%)	\$718	\$359	\$1,077
salaries sub-total	\$21,779	\$49,208	\$70,987
Co-Primary Researchers			
Geomatics	\$0	\$25,000	\$25,000
Land Tenure	\$0	\$25,000	\$25,000
Consultants			
Forestry	\$0	\$3,000	\$3,000
Conflict Management	\$4,000	\$9,000	\$13,000
GIS	\$0	\$2,000	\$2,000
consultants sub-total	\$4,000	\$64,000	\$68,000
Research Assistance (casual employee wages)			
GIS and Mapping (200 + 100 hours @ \$15/hr.)	\$3,000	\$1,500	\$4,500
Clerical Assistance (200 hours total @ \$12/hr.)	\$0	\$2,000	\$2,000
fringe on wages (10%)	\$300	\$350	\$650
casual employee sub-total	\$3,300	\$3,850	\$7,150
Travel			
Washington (one + five trips)	\$500	\$2,500	\$3,000
Nicaragua (one trip + one trip)	\$1,200	\$1,200	\$2,400
Venezuela (two trips)	\$0	\$2,400	\$2,400
Mexico (two trips)	\$0	\$2,000	\$2,000
Madison (two trips)	\$0	\$1,500	\$1,500
Ottawa (two trips)	\$0	\$1,800	\$1,800
per diem (Washington 10 days @ \$75)	\$0	\$750	\$750
per diem (Venezuela 20 days @ \$50)	\$0	\$1,000	\$1,000
per diem (Nicaragua 10 + 10 days @ \$35)	\$350	\$350	\$700
per diem (Mexico 20 days @ \$50)	\$0	\$1,000	\$1,000
travel sub-total	\$2,050	\$14,500	\$16,550
Office supplies & expenses			
Supplies	\$400	\$900	\$1,300
Telephone/fax	\$1,600	\$3,600	\$5,200
Postage	\$400	\$900	\$1,300
Photocopy	\$400	\$900	\$1,300
Center for International Affairs Fees facilities' fee	\$3,300	\$3,500	\$6,800
office supplies & expenses sub-total	\$6,100	\$9,800	\$15,900
Equipment			
GIS update	\$500	\$0	\$500
map digitalizer	\$1,000	\$0	\$1,000
portable GPS (three)	\$0	\$600	\$600
pentium computer with CD-ROM for mapping	\$0	\$3,000	\$3,000
equipment sub-total	\$1,500	\$3,600	\$5,100
Direct Expense Subtotal	\$38,729	\$144,988	\$183,717
Indirect Costs (65%—excluding equipment)	\$24,199	\$91,883	\$116,082
Indirect costs assessed at the Harvard-U.S. Government negotiated rate			
Grand Total	\$62,928	\$236,841	\$299,769

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ANNEX H

Institute of the Americas Mining Conference Proposal



**PROPOSAL TO THE U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT
ON LATIN AMERICAN MINING, THE ENVIRONMENT
AND OPPORTUNITIES FOR U.S. EXPORTS**

**SUBMITTED BY THE INSTITUTE OF THE AMERICAS
AND THE COLORADO SCHOOL OF MINES**

April 27, 1995

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Division of Liberal Arts & International Studies
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Proposal:

The Institute of the Americas and the Colorado School of Mines propose that the U.S. Agency for International Development join them in a series of programmatic and research efforts designed to promote sustainable development in the mining sector in Latin America, particularly focusing on the critical small and artisan mining sectors.

Background:

Several of the most important mining nations in the region have in common relatively low economic growth and high income disparities while at the same time struggling to consolidate democratic and market-oriented reforms. The region, however, has great potential of becoming the center of the next natural resources industry boom, a huge mining industry expansion. However, such growth carries with it prospects of skewed development, monocultural extraction and export-oriented economies, with few local economic multipliers but a high probability of environmental damage and long-term health risks.

ECLAC estimates that in the six-year period from 1994-2000, mining companies will invest about US \$30 billion in mining activities in the region. If this number is achieved, it would represent about 35% of all expected investments in mining activities around the globe. Much of the current mining efforts in the region have been undertaken by small groups of independent "artisan" miners, who have caused substantial damage to the environment in the largely unregulated and unpoliced setting of placer mining. Gold placer mining has been characterized

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by slash and burn clearing, massive erosion, watershed destruction and the wide use of mercury and cyanide in extraction operations.

This artisan mining is already adversely affecting biodiversity in these countries, a biological community which typically supports as much as 90 - 95% of a nation's GDP. The hydrological impact of the current technologies and practices is especially severe and the cause of much of the loss of biodiversity and linked to economic disaster in other areas including fishing and agriculture. In addition, certain health effects are beginning to appear, such as elevated quantities of mercury in mothers' milk throughout the region.

Many people's livelihoods in the Americas depend on artisan mining. For example, 300,000 to 400,000 people are employed in this sector in the Guyana shield, an area of rain forest covering parts of Brazil, Venezuela, Guyana, and French Guiana. In Chile alone, there are at least 45,000 artisan miners. In Bolivia, Peru, Ecuador and Colombia, the numbers of artisans is also large and growing.

Again, the answer will not be to eliminate these miners, and their jobs, but to identify technologies, policies, and projects consistent with sustainable development. Experts in the field have spoken of the need to identify and publicize alternative mining methods, both for small scale miners, and for larger mine operations. A great deal of work has been done on just such technologies and corresponding supportive policies in the United States, especially at the Colorado School of Mines.

Mining will inevitably be an important engine of growth for many economies in the region. The key question is how to promote the adoption of appropriate policies, technologies and projects consistent with sustainable development using economic incentives, education, regulation and enforcement.

This project will assist in that effort by emphasizing environmentally-sound, appropriate technologies for both the small artisan miner and for the large mining concern. The project will also help these countries develop a set of industrial policies and regulatory environments attractive to domestic and international investment, and beneficial to the domestic economy.

There is strong interest in and support for a creative program along these lines among the governments of the region, both to improve the environment and to build the economic underpinnings of democracy in these countries.

This political atmosphere, and interest in outside assistance, is relatively new and offers an opportunity for the United States government to serve as a catalyst for important, long term changes in these countries, as well as to promote the utilization of advanced U.S. technologies, expertise and equipment.

Project Components

Our proposal for a regional initiative on sustainable development and the mining sector includes the following elements:

- A major international conference to launch the project, held in Denver in the fall of 1995 in collaboration with the Colorado School of Mines (one of the country's foremost centers of excellence on the environmental and mining nexus).

This conference would attract U.S. mining companies, U.S. environmental firms, Latin American government officials and Latin American private sector representatives. A preliminary agenda for the conference is attached as Appendix A. As the agenda illustrates, the conference would focus prominently on environmental issues in the mining sector, but would also explore opportunities for U.S. firms, both mining and environmental, with advanced technologies to profitably export these technologies, their expertise and know-how to the rest of the countries of the region.

This conference would substitute the normal trade show component of most mining events with special private meetings between U.S. firms and important Latin American, U.S. and multilateral agency officials. Such meetings have in the past, proved to be excellent avenues for establishing productive business relationships and laying the groundwork for significant investment and trade deals.

- Preparation of a technical paper and handbook on mercury-free or mercury-reducing methods of gold mining for small and medium-sized miners (in Spanish and Portuguese) by Dr. Laura Pang, Division of Liberal Arts and International Studies, Colorado School of Mines and Dr. Roberto Villas Boas, Director of CETEM, Centro de Tecnologia Mineral (see attached biographical sketches and lists of publications).

Such a technical paper handbook would be prepared over the course of the next five months by our colleagues at the Colorado School of Mines. A final draft would be available by the time of the October conference. Handbooks would be made available to all the governments of the region with explicit permission to reproduce for wide distribution in-country. The intended user of this handbook would be individuals in the artisan mining sector, government officials and regulators, community representatives, and environmental organizations. Further dissemination would be undertaken at seminars in Latin America (number depending on funding). See Appendix A for further details on the technical paper and handbook.

- Expansion of a policy white paper on how to utilize economic incentives to promote the use of pollution prevention technologies in the mining sector (both large and small operations) and lower the usage of environmentally harmful chemicals or practices also in collaboration with the Colorado School of Mines and the IDB.

This policy white paper would be prepared by Dr. Eul-Soo Pang Dr. Laura Pang at the Colorado School of Mines, again in time for the October conference, and would be disseminated there. This paper would draw on research and analysis that has already been carried out by the IDB, the World Bank, the OECD, the Colorado School of Mines and by other experts in the field to describe and explain the most effective tools and economic incentives for promoting the use of pollution prevention technologies and state of the art mining technologies to reduce or eliminate harmful environmental impacts of gold mining and other mineral mining. Further dissemination would be undertaken at a number of seminars in Latin America. See Appendix A for further details on the policy white paper.

- Dissemination Seminars in Latin America (Peru, Chile and Brazil) to reach the Latin American mining industry, government officials, and artisan miners with materials and technology information.

The dissemination seminars would be organized in cooperation with local AID missions and jointly with the appropriate government, private sector and multilateral agencies in key countries

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(perhaps Brazil, Peru and Chile). Officials and mining industry representatives would be invited to each seminar from around the region. Speakers would include the authors of the handbook and the policy white paper, as well as U.S. and Latin officials and firms with expertise in these areas.

A regional, as opposed to country-specific initiative, has the advantage of bringing together country representatives with strong environmental practices and regulatory regimes, with those that are still developing their regulatory frameworks. Many times we find that Latin American governments are most enthusiastic about solutions and ideas being tried within the region, rather than imported from the North.

The Institute of the Americas

The Institute of the Americas is an independent, Section 501(c)3 non-profit institution devoted to finding effective responses to some of the major challenges facing the countries of the Western Hemisphere: consolidating democracy and economic reforms; improving social service delivery systems particularly in health care and pensions; halting environmental deterioration; privatization, reform of energy sectors and capital markets; and promoting technology cooperation in the energy and environmental sectors (with the support of the Agency for International Development).

For the past decade the Institute of the Americas, located at the University of California, San Diego, has been the Pacific Coast focal point and catalyst for bringing together the hemisphere's leaders in politics, business, and academia to consider new approaches to critical problems. Through the Institute's successful work, national leadership has focused on new ways to use private initiative and technology to meet needs for a cleaner environment, better communications and reliable energy sources, and reforms to spur economic growth and create more equitable systems of social security and basic health care.

Support and active participation from the highest levels of government, business, and the media, as well as some of the region's major international organizations and private foundations, have enabled the Institute to become the leading institution of its kind in the Americas — an institution on the cutting edge of trends that will fundamentally change North-South relations.

Colleen S. Morton, Vice President

Colleen S. Morton was appointed the Vice President of the Institute of the Americas in 1993. In 1995, the duties of Director of Research were added to her portfolio. Her primary responsibilities include overseeing Institute programs, research and outreach activities. In this capacity she instituted a series of seminars on the NAFTA in San Diego in 1993 to educate the general public and has been a frequent speaker on the NAFTA and subsequent events in Mexico. She has overseen Institute programs relating to economic and political reform throughout the Hemisphere and is the U.S. Coordinator of the U.S.-Mexico Environmental Business Committee. Her areas of expertise include trade and the environment, trade liberalization, infrastructure finance, and the political economy of Mexico.

Prior to joining the Institute, Morton was the Executive Director of the U.S. Council of the Mexico-U.S. Business Committee and the Director of Mexico Programs for the Council of the Americas in Washington, D.C.

Prior to joining the U.S. Council/Council of the Americas, Monon held a number of trade-related positions as Trade Policy Analyst with the Washington office of the law firm, Wall, Gouhal & Manges; as Director of the Canadian-American Committee of the National Planning Association, and as Editor of the *Canada-U.S. Outlook*; and as a Foreign Service Officer with the U.S. Department of State. Her overseas postings as a political, science and technology officer included Venezuela, New Zealand and Canada.

Monon was the 1990 recipient of the Woman of the Year award from the Washington, D.C.-based Women in International Trade. She has published on the NAFTA and the Environment, subsidies and the politics of trade; the trade opening in Eastern Europe; the Canada-U.S. Free Trade Agreement; and environmental policy reform. Monon received her M.A. in International Political Economy from the University of Washington, and her B.A. in International Relations from Carleton College in Northfield, Minnesota.

The Colorado School of Mines

The Colorado School of Mines is a public research university devoted to engineering and applied science related to resources. It is one of the leading institutions in the U.S. and the world in these areas. It has the highest admission standards of any university in Colorado and among the highest of any public university in the U.S.

CSM has dedicated itself to responsible stewardship of the earth and its resources. It is one of a very few institutions in the world having broad expertise in resource exploration, extraction, production and utilization which can be brought to bear on the world's pressing resource-related environmental problems. As such, it occupies a unique position among the world's institutions of higher education.

Throughout the school's 120 year history, the translation of its mission into specific educational programs has been influenced by the needs of society. Those needs are now focused more clearly than ever before. We believe that the world faces a crisis in balancing resource availability with environmental protection and that CSM and its programs are central to the solution of that crisis.

Therefore, the school's mission written in the Colorado statutes is reinterpreted as a commitment for the decade of the 1990's and beyond:

"Colorado School of Mines is dedicated to education and research in all areas of science and engineering and associated fields related to the discovery, production, and utilization of resources needed to improve the quality of life of the world's inhabitants. CSM is committed to educating students to become good stewards of the Earth and its resources. It is committed to the mitigation of environmental damage caused by the production and utilization of minerals, energy, and materials, and to the development of processes that will minimize such damage in the future. It is further committed to the development of technologies that can reduce the world's dependence on non-renewable resources."

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**Proposal for Conference on Latin American Mining, The
Environment and Opportunities for U.S. Exports**

**October 12-13, 1995
Denver, Colorado**

submitted by
INSTITUTE OF THE AMERICAS
La Jolla, California
and
COLORADO SCHOOL OF MINES
Golden, Colorado

Preliminary Agenda
(for discussion only, not for distribution)

THURSDAY, OCTOBER 12, 1995

8:30 - 9:00 a.m.
Welcoming Remarks

9:00 - 9:45 a.m.
Opening Keynote Address
Dr. Alejandro Hales, former Minister of
Mines of Chile
"The Chilean Experience in Mining Reform:
Lessons for the Region"

10:00 - 12:00 p.m.
Financing New Investment in the Latin
American Mining Sector
• Mining Company representatives (Cyprus-
Amax re: Peru of Chile consortia)
• Financial firms (Morgan Stanley)
• MIGA & OPIC
• IFC & IIC

12:00 - 2:00 p.m. Lunch
José Serra, Minister of Planning, Brazil
"Constitutional Reform and Prospects for
New Investment in Brazil's Mining Sector"
(or Antonio Ermirio de Moraes,
President/CEO, Votorantim Group)

2:15 - 3:30 p.m.

Country Panels: Brazil
"The Structure for Reform and
Protection of the Environment"

Moderator: Laura Pang, Colorado School of
Mines
• Antonio Carlos Pojo do Rego, Chief of
Cabinet, Ministry of Planning
• Dennis Mahar, World Bank Resident
Representative, Brazil
• Representative of BHP
• Representative of CBM, S.A. de C.V.

3:30 - 4:00 p.m. Break

4:00 - 5:15 p.m.
Country Panels: Chile and Mexico
"Lessons Learned and New Opportunities"
Mexican Representative - Ministry of
Energy and Mines
• Mario Maturana Claro, Director, Institute of
Mining and Water Laws, Santiago
"L.A. Mining Legislation: What Works and
What Doesn't to Attract Investment"
• Company representatives (2)

6:30 - 7:30 p.m.
Networking Reception

Proposal to the United States Agency for International Development
by the Institute of the Americas and the Colorado School of Mines
April 27, 1995
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7:30 - 9:30 p.m. Dinner
Guest Speaker: Gonzalo Sanchez de Losada
Bustamante, President of Bolivia

Country Panels: Guyana, Venezuela &
Surinam
"Conflict and Cooperation in New Mining
Regions"
Keynote Address: Prime Minister Hines,
Guyana

FRIDAY, OCTOBER 13, 1995

8:30 - 9:45 a.m.
Environmental Regulations and
Investment in the Mining Sector: Finding
the Appropriate Balance
Moderator: Laura Pang, Colorado School of
Mines
• Felix Remy, The World Bank (or Craig
Andrews or Peter Van de Veen, Chief,
Mining and Industry Section)
• Company reps (or International Council on
Metals and the Environment, Ottawa)
• NGO reps

Panel Moderator: Eul-Soo Pang, Colorado
School of Mines
• Ambassador Gordon Streeb, Director,
Global Development Initiative, Carter
Center
• Dr. Pollack, former Minister of Mines of
Surinam
• Representative of Alcoa or Shell

9:45 - 10:15 a.m. Break

3:30 - 4:00 p.m. Break

10:15 - 10:45 a.m.
Keynote Speaker
Dr. Jaime Villalobos Sanjines, Minister of
Economic Development, Bolivia

4:00 - 5:15 p.m.
Recommendations for Change in Latin
American Mining Regimes
Moderator: Dorothy Kosich, Managing
Editor, *Mining World News*
• NGO's (U.S., Canadian, Chile, Mexico)
• Gary Nash, Secretary General, International
Council on Metals and the Environment

10:45 - 12:00 a.m.
Country Panels: Bolivia, Ecuador, Peru &
Argentina
"Fine Tuning the New Rules of the Game"
• Suramco rep
• Barile Mountain Gold rep
• other company reps
• Alberto Benevides de la Quintana,
Chairman, Buenaventura Mining Co. (Peru)
• Sebastian Perez, Ecuadoran lawyer
representing mining companies or Mario
Rivadeneira (or current Ecuadoran
ambassador to U.S. who was former head of
Ecuadoran Mining Society)
• Governor of Mendoza Province, Argentina

5:30 - 6:30 p.m. Closing Reception

12:00 - 2:00 p.m. Lunch
Guest Speaker: Celso Sotomarinno Chavez,
President, Production Commission of
Congress

2:15 - 3:30 p.m.

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Appendix A - Technical Papers

This project is conceptualized as having two distinct but interrelated parts: a policy report and a technical report and handbook. The policy report would be directed to an audience of both policy makers and members of the mining community. It would embody suggestions for devising economic incentives that would seek to accomplish some combination of several goals: lessening the use of mercury in gold production; lessening the amount of pollution generated by mercury usage; abatement of mercury pollution that has already occurred; and the introduction of alternative gold production technologies that do not use mercury and that are also environmentally friendly. In order to formulate such suggestions, it will be necessary to review the state-of-the-art of our technical and scientific knowledge of the problem; hence, the need for a separate, technical report that can review this knowledge base as well as identify future directions for adding to that base.

Part A. Policy Report:

There are four types of mining activities in Latin America that have contributed to the degradation of the environment. Each sector has its own unique problems.

Large scale international corporate mining: This sector is not only capable of practicing the best technical environmental standards, but in fact practices them routinely at company sites around the world, often exceeding national environmental standards. It has access to and develops its own technologies for both mining and for environmental problems generated by mining. International corporate mining also has acquired expertise in extracting more metals by adopting sound environmental procedures at all stages of mining, from exploration to beneficiation to exporting.

Private national firms and state-owned enterprises: This sector has been undergoing changes in upgrading its environmental remediation measures. Many private national mining companies and mining SOE's have access to environmentally sound technologies. Nevertheless, the cost of integrating such technologies into existing production facilities, plus their traditional disregard for the environment, have delayed modernization in environmental quality control to the level set by the international corporate mining community. Now, however, many of these companies either have joint ventures or are forming them with international firms; hence they are becoming more acculturated to adopting higher environmental standards in their operations.

Small mining: This sector is typically family-owned and lacks sufficient incentives and experience in adopting new environmental standards. Also, this sector often prefers to pay-off government inspectors rather than meet the environmental standards that many Latin American countries have recently adopted. The sector also lacks ready access to technologies and technical advice.

Artisan mining: This sector is best described as a large and growing group of individual entrepreneurs, whose principal aim is to extract metals by whatever means to make a profit. Hence, there is a total disregard for the environmental impact of their activities. Many artisan miners do not hold land titles and often operate without permits. Hence, this sector presents a serious challenge to governments and a serious threat to local ecosystems.

The most urgent need for containing environmental degradation, therefore, is confined to the last two sectors: small and artisan mining. However, the problems are interrelated, since the four

types of mining activities constitute a whole in some respects. To solve the problems of the last two without involving the first two would not be the most efficient or productive avenue. Furthermore, ecosystems are impacted to varying degrees by all four types of mining activities.

Thus, the policy paper will begin with the overall impact of mining on the environment in Latin America, but then will move quickly to focus on the small and artisan mining sectors and steps governments and the private sector can undertake to integrate all four types of mining in environmental remediation and protection.

The primary purpose of this portion of the paper will be to reflect on the past and current practices of mercury use in the small and artisan gold mining operations in Latin America and identify economic incentives that would minimize mercury usage, thereby lowering mercury contamination in the water, soil, and air. This review will then provide Latin American policy makers and gold producers with a comprehensive foundation on which to build a series of technically sensible and economically innovative measures and policy options for addressing the problem of mercury usage in gold production.

Mercury has been used in Latin American mining since the late 16th century as an inexpensive and simple amalgam for extracting gold and silver. Extractive metallurgy offers several alternative and environmentally friendly ways to recover gold, but these alternatives have never been widely accepted by small and artisan miners. Mercury is an integral part of Latin American mining culture and is likely to be around for some time to come.

By nature, small and artisan mining operations are either illegal, or are licensed but fail to abide by environmental laws. Unless miners and governmental agencies clearly see economic incentives for adopting new alternative ways of recovering gold, the spread of mercury contamination will not abate. New policy incentives should be built on a two-step approach: (a) continued but controlled use of mercury in ways that minimize health risks to miners and environmental risks to the ecosystems; and (b) dissemination of innovative non-polluting extractive technologies that would replace the use of mercury altogether. In order to be successful, these measures have to be inexpensive, technically simple, and easy to adopt.

This portion of the policy paper will focus on three issues:

- (1) Defining sustainable development in two contexts:
 - (a) the policy context of the sustainability of factors of production in small mining;
 - (b) the sustainability of ecological perspectives of the local ecosystems.

Unless these two considerations are harmonized, no public policy, especially one dealing with small and artisan mining, will work.

- (2) Proposals for the establishment of a network of artisan gold miners, environmental NGO's and/or universities, and appropriate government agencies to provide technical services to contain the spread of wanion contamination of mercury as well as a higher recovery of gold.
- (3) Proposing a series of tax incentives to the corporate mining sector that would encourage those mining companies to become legitimate and willing participants in the clean-up of river estuaries where mercury contamination has already caused local health problems and degradation of the local ecosystem.

The policy paper will also identify environmental problems generated by small and artisan miners involved in the production of minerals other than gold, such as copper and silver. Production of these minerals creates a set of environmental problems that are often different from those generated by the use of mercury in gold production and hence require variations on the kinds of policy recommendations and economic incentives that would be associated with mercury usage in gold production. For example, there are two types of mercury pollution generated in gold mining; one is the introduction of solid mercury into rivers during initial stages of the process; the other is vaporized mercury generated when the mercury is burned off in the amalgamation process.

The second of these is a much more toxic substance to humans and fauna alike and is more difficult to contain since it evaporates into the atmosphere and returns to the ecosystem in the form of rain. Solid mercury, however, is considered a heavy metal and can be treated in ways that other heavy metals (such as cadmium, arsenic, and lead) are treated in terms of pollution abatement. One of the most serious environmental problems created by non-gold small and artisan miners is the generation of heavy metal residues. Thus, there is some, but by no means a complete overlap in environmental problems created by gold and non-gold producing small and artisan miners.

This paper would be prepared by Dr. Eul-Soo Pang and Dr. Laura Pang of the Colorado School of Mines.

Part B. Technical Report and Handbook

The problem of mercury contamination from gold mining activities (both legal and illegal) in Latin America has been receiving considerable scientific and non-scientific attention since the late 1980s. Brazil and Venezuela are especially affected by this problem in the Amazon region and have emerged as pioneers in the study of the problem, including its technical aspects. This is especially true of Brazil, where original scientific work on the problem is carried out most notably by CETEM (Centro de Tecnologia Mineral/Mineral Technology Center) in Rio de Janeiro, which is housed on the campus of the Universidade Federal do Rio de Janeiro (UFRJ).

Another Rio-area university, the Universidade Federal Fluminense, also collaborates in CETEM's projects related to mercury pollution generated by gold mining, particularly from its Department of Geochemistry. Likewise, faculty in the Department of Chemistry at the Universidad Oriente in Venezuela work on this problem as well. The use of mercury in gold mining operations in the tropics was also the subject of a World Health Organization conference held at the Royal Academy of Sciences in Stockholm, Sweden, in October 1993. There has even been work done on developing an expert system for risk assessment of mercury discharge from gold mining operations.

In short, there is no dearth of technical information being generated on the problem, although there is still undoubtedly much left to do. Clearly, this technical study should not constitute what would be tantamount to a duplication of efforts elsewhere. Therefore, the purpose of a technical study on mercury for this project would be threefold:

- (1) To review and summarize the state of our knowledge about mercury pollution;
- (2) To identify current research "frontiers" in terms of (a) mercury contamination remediation technologies for clean-up purposes, and (b) viable alternatives to gold

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production that do not utilize mercury as an amalgam in gold production, although there are alternatives to producing gold that do not involve the use of mercury.

- (3) To assess the state of collaborative efforts internationally, and to identify any obvious shortcomings, needs, or gaps in those efforts.

We would propose that the technical study be co-authored by Dr. Laura Pang, Division of Liberal Arts and International Studies, Colorado School of Mines, and Dr. Roberto Villas Boas, Director of CETEM, or an associate of his choice. Dr. Pang is a Brazilianist and has interacted with CETEM in the past in conjunction with a student project at Colorado School of Mines that focused on the mercury problem in Brazil. Although she is not technical expert herself, she does have a good grasp of the technical aspects of the problem and can therefore serve as a "bridge" between the technical report and the policy report.

This study will then form the basis for producing a handbook and perhaps (if funding is available) an accompanying or stand-alone short video that can be distributed to small mining communities throughout Latin America.

<i>1996-95 Project on Sustainability and the Mining Sector in Latin America</i>			
<i>Budget Summary</i>			
	<i>1995</i>	<i>1996</i>	<i>Total</i>
			<i>USAID</i>
<i>Conference Budget</i>			
Revenues	\$180,000		\$180,000
Expenses	\$179,794		\$179,794
<i>Technical Papers</i>			
Revenues	\$35,400		\$35,400
Expenses			
Mercury pollution reduction Handbook	\$23,500		\$23,500
Economic Incentives White Paper	\$11,900		\$11,900
<i>Dissemination Seminars</i>			
Revenues		\$14,600	\$14,600
Expenses			
Travel		\$16,500	\$16,500
Total Revenues			\$230,000
Total Expenses			\$231,694

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Institute of the Americas
1995 Mining Proposal
Budget

Conference Budget

INCOME	TOTAL	USAID
Grant - US AID	\$50,000.00	
Sponsorships	\$25,000.00	
Registrations 150@5700	\$105,000.00	
TOTAL INCOME	\$180,000.00	
EXPENSES		
Advertising	\$10,000.00	
Office Salaries	\$33,750.00	
Payroll taxes: 9.2 %	\$3,105.00	
Travel: air/bus/taxi	\$22,000.00	\$22,000.00
Hotel accommodations	\$5,780.00	\$5,780.00
Interpreting services	\$7,000.00	\$3,500.00
Audio visual	\$2,000.00	\$2,000.00
Telephone Phone, fax	\$4,000.00	\$500.00
Postage	\$8,300.00	
Courier	\$500.00	
Copying Briefing book, misc. copies	\$5,600.00	\$5,600.00
Photography	\$600.00	
Printing Brochures	\$5,600.00	\$5,600.00
Office supplies	\$600.00	
Catering	\$35,000.00	\$5,000.00
Total USAID Expenses (estimated)		\$49,960.00
DIRECT EXPENSES	\$143,835.00	
INDIRECT EXPENSE 25% of direct	\$35,958.75	
INDIRECT + DIRECT	\$179,793.75	

ANNEX I

U.S. Department of Labor Proposal

U.S. Department of Labor

Bureau of International Labor Affairs
Washington, D.C. 20210



LABOR-MANAGEMENT COOPERATION

TRAINING PROGRAM

LATIN AMERICA/CARIBBEAN

Proposal

The U.S. Department of Labor (DOL) proposes a focused training and informational program which will broaden the scope, enhance the quality and improve the current status of labor-management relations in the hemisphere. The program represents the third, and final phase of a progression of activities designed to create and intensify conditions for the promulgation of more harmonious and productive labor-management relations at the company plant level. The program supports USAID economic growth and trade development strategies. Equally important, the plant-level training will balance social standards associated with progressive work environments. The program will also increase worker productivity, improve the capability of the plants to produce and compete effectively in regional and global markets, promote civil society and sustainable development, two key factors in attaining the overall aims of the proposed Free Trade Agreement of the Americas (FTAA).

Background

The DOL has completed the two initial phases of a three-phase program aimed at improving labor-management relations in the hemisphere. These introductory phases have been sponsored by the U.S. Agency for International Development (AID) under PASA agreements with the DOL.

The first phase was an Inter-American Symposium on Emerging Structures for Labor-Management Cooperation held in Santo Domingo, Dominican Republic in 1993. Participants representing labor, management and government from twenty five countries were invited to attend the successful Symposium. Based on recommendations that emerged from the Symposium, The USAID/LAC Bureau requested DOL to conduct a second phase to introduce some of the innovative labor-management techniques to labor, management, government and academia on a broader scale through sub-regional workshops.

In 1994 and early 1995, the DOL conducted four sub-regional workshops for an in-depth examination of ongoing cooperative labor-management strategies in order to create innovative labor-management models appropriate to countries of the Andean Group, the Caribbean, Central America and the Southern Cone. The participants represented labor and management teams (usually from the same company), government officials responsible for labor-management relations and leading academic representatives. The

three topics presented in the workshops for the Andean Group, the Caribbean and the Central American workshops were: Interest Based Negotiations (IBN); New Workplace Transformation and Crisis to Cooperation. The topics were presented at levels consistent with each sub-region's level of economic, political and social development as well as the countries' industrial relations environment. The topics were presented by representatives of the DOL, the Federal Mediation and Conciliation Service (FMCS) and U.S. labor-management teams from the same company. The labor-management teams were most effective as they could relate their actual work life experiences for the participants. Due to the level of sophistication in labor-management relations in all but one of the countries in the Southern Cone, as well as the higher level of economic, political and social development, the topics presented at this workshop were enhanced and adjusted to include Partnership Success Models, High Performance Workplaces and a higher level of Interest Based Negotiations. Again, the U.S. labor-management teams were impressive as they related their actual "real world" industrial relations experiences.

Based on the Country Reports presented at the conclusion of the four sub-regional workshops, and the Evaluations required by USAID/LAC, the workshops fulfilled the requirements of the PASA and were deemed an outstanding success.

Country Reports and Evaluations indicated only certain models of cooperative labor relations being applied in the U.S. and other developed countries could be introduced to all the countries in the Hemisphere. These models are dependent on the specific needs and levels of union-management dialogue. However there was a consistency in the applicability and desirability of Interest Based Negotiations in most of the countries. Following the workshops, DOL has received numerous requests for additional training in this topic from selected participants represented in the workshops.

In carrying out the sub-regional workshops, DOL acquired the professional services of Restructuring Associates Inc. (RAI) who provided special presentations on non-adversarial labor management methods and techniques. This was accomplished at the Caribbean and the Southern Cone workshops. DOL also requested RAI to assist in the development of a follow-up concept paper describing approaches for disseminating the substance of the workshops through training at the company/plant level in selected countries of the Hemisphere. RAI is considered to be on "the cutting edge" of cooperative labor-management relations. RAI President/CEO Thomas J. Schneider made outstanding presentations, using state of the arts sound and slides, at the Caribbean and Southern Cone workshops. Among his recommendations are: to partner with local institutions such as trade unions, industry and employer associations and governments to provide substantive skill-building in Interest Based Negotiations and to conduct

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informational conferences on innovative and cooperative labor-management relations.

Statement of Purpose

Rather than try to use a "shotgun" approach by teaching the four topics discussed in the sub-regional workshops, DOL proposes a focused training program emphasizing Interest Based Negotiations (IBN). Participants in the four sub-regional workshops indicated that IBN offered the greatest opportunity for improving labor-management relations at the plant level.

While the focus of the plant-level training is to assist unions and management in the design of an appropriate model of cooperative relations, observers representing labor, management, government officials and academia would be invited and eventually serve as negotiators, facilitators, mediators, trainers and promoters of the Interest Based Negotiations (IBN) process. From our view, this integrated approach will provide the opportunity for the broadest dissemination of the IBN model and achieving sustainability in the use and benefits of IBN.

Program Methodology

The DOL has two objectives in proposing a two week training program. The first objective is to train company/plant level labor-management teams so they can negotiate a collective bargaining agreement using the IBN process and serve as promoters of IBN process. The second objective is to train labor, management, government officials and academia so they can serve as negotiators, facilitators, mediators, trainers and promoters of the IBN process.

The two week training program will commence with the theoretical foundation and proceed through stages, using practical exercises, to reach a point where the company/plant level labor-management teams can negotiate a collective bargaining agreement and the other participants can serve as negotiators, facilitators, mediators, trainers and promoters. There will be a significant use of the "role playing" technique and "mock" negotiations sessions during the course. The training staff will closely monitor the sessions to ensure the participants are "learning by doing". Training materials, translated into Spanish, will be provided for use in the classroom and for reference after completion of the course. These materials will provide in-depth references and serve as guides when the participants negotiate, facilitate, mediate, train and promote the IBN process. The participants will become part of a network supporting the use of IBN.

The DOL will build on the experience gained in the IBN training programs financed by USAID/Guatemala.

Many of the participants will be selected from among the company/plant level labor-management teams and the labor, management, government and academia representatives who attended the four sub-regional workshops. Others will be selected on the basis of an interest and desire to utilize the IBN process. As was the case in the four sub-regional workshops, the majority of the participants will be company/plant level labor-management teams from the same company. Such a mix of participants will provide the broad spectrum of the industrial relations experts necessary to have sustainable development in this field.

Approximately nine months after the completion of the two week course, DOL will sponsor a national conference to review what has transpired since the completion of the course and to make recommendations for future activities which will foster the nation wide use of IBN in the collective bargaining process. Participants from the course as well as representatives of labor, management, government, academia and the media will serve as members of Panels at the national conference. The topics of the Panels will be determined after consultation with the interested parties. We assume the topics will include, but not be limited to, examples of successful use of IBN, problems in the use of IBN, what works and what doesn't, recommendations for the future, etc.

The DOL will publish a Spanish language Report on the national conference. The publication will foster cooperative labor-management relations and be widely distributed throughout the hemisphere.

Success breeds success. We feel the focused approach of an intensive two week multi-purpose training program and a follow-up national conference will not only provide the solid foundation for the nation wide use of the IBN process, but will also provide the impetus for its sustainable development in the hemisphere.

Beneficiaries and Results

The selection of the recipient countries in the program is based on their actual or potential role as leaders in regional and hemispheric trade. Each is considered fertile ground for the establishment of cooperative nonadversarial labor-management relations so critical for sustainable economic, political and social development.

One year after the start of the program in a country, we anticipate the following results: 60% of the participating company/plant level labor-management teams will be using IBN in their contract negotiations; five additional company/plant level labor-management teams not attending the course will negotiate using IBN; 80% of those using the IBN process will have signed a collective bargaining agreement; 25% of the participants will be

acting as facilitators, mediators, trainers or promoters; one union and one management group will provide IBN training and IBN will be included in two business/industrial relations courses at universities or institutions of higher learning.

The use of the IBN process will increase dramatically after the first year as more and more unions and employers recognize and receive the benefits of the use of the process.

FIRST PHASE

Guatemala - We have initiated, thanks to the financial and moral support of the USAID Mission, a very successful Introduction to IBN training program. Results in the public sector are very encouraging, although there are many problems to overcome in this society not noted for cooperative relationships. We would like to expand this initial success to the private sector and enhance our efforts in the public sector. The increased use of cooperative labor management techniques will contribute to a less violent and more peaceful society. The IBN process is frequently used for conflict resolution.

Chile - Chile is currently negotiating access to NAFTA and will increasingly become a major trading partner of the U.S. in the foreseeable future. There was an extremely high interest in the labor-management sector in participating in the sub-regional workshop in Buenos Aires. The Chilean Copper Corp. CODELCO, funded the participation of five labor leaders and three management representatives in the workshop. Labor and management are looking for ways to establish a cooperative relationship after years of a repressive and anti-labor Pinochet regime. As labor and management re-establish their relationships, there is a unique opportunity to foster a cooperative relationship by the use of IBN.

Argentina - The economic and international trade importance of MERCOSUR has increased significantly in the past year and will continue to increase as the majority of the member countries recognize and receive the benefits of expanded regional, hemispheric and world trade. Argentina is one of the leaders of MERCOSUR and has established investment and monetary policies consistent with sustainable economic development and expanded international trade. Labor-management relations in Argentina are undergoing dramatic change as the government shifts from a Peronist corporate society to a free market economy. Trade union and business leaders, as well as government officials, are beginning to realize they must modernize their industrial relations practices. They want to move from a confrontational tradition to a cooperative relationship. The labor-management participants in the sub-regional workshop indicated they were willing to take a risk and try the IBN process. However they felt that for the shift from negotiating based on positions to

negotiating based on common interests, they would require an intensive training program. The Universidad Argentina de la Empresa (UADE), as a result of professional staff participation in the sub-regional workshop, has started teaching the IBN process in its industrial relations courses. UADE is one of many groups which have requested DOL assistance in conducting IBN training programs. The Ministry of Labor is also interested in fostering the establishment of IBN as a cooperative process. Again, a wonderful opportunity.

SECOND PHASE

(To be developed contingent on the availability of funds)

Dominican Republic - The Dominican company/plant level labor-management team participants in the Central America sub-regional workshop were among the most vocal as to the need to improve and modernize the industrial relations processes not only in their companies, but throughout their country. The business community, supported by their workers, are anxious to expand trade, increase productivity and create new jobs. They are supported in this effort by a dynamic and progressive Minister of Labor as well as an interested academia. These major sectors of society are anxious and willing to establish new and more modern labor-management relations based on cooperation.

Brazil - As the economic giant of Latin America, Brazil is a leading exporter and importer of goods and services. Its international trade should continue to expand as MERCOSUR's regional, hemispheric and world trade expands. While the three national trade union federations in Brazil have not been in the forefront of the shift to a market economy, most of the leadership now acknowledge they can no longer conduct their industrial relations as they have in the past. Labor, management and government are in the process of adjusting to a global economy and all of the parties recognize the need for modernizing and establishing a cooperative labor-management relationship. The introduction of the IBN process can and will contribute to a more effective and productive relationship.

Ecuador or Panama - The third country to participate in the Second Phase of the program will be either Ecuador or Panama. Each provides an opportunity to foster an innovative and cooperative labor-management relationship.

As one of the smaller and lesser developed countries in South America, Ecuador can be a Pilot Project which provides an example of what can be accomplished using the IBN process. As indicated by the participants in the Caracas sub-regional workshop, the labor, management and government industrial relations environment is conducive to the positive changes possible under the IBN process.

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Panama is striving to expand trade, create new jobs and prepare its economy for the dramatic impact of assuming control of the Panama Canal and the probable closing of the U.S. Military bases by the year 2000. The legislature, with the often violent opposition of the labor movement, has revised the Labor Code to make it more business friendly. Only time will tell if these revisions will bring about the much needed investment and job creation touted by the sponsors of the legislation.

Nevertheless, labor and management must move forward and establish a more cooperative relationship. The Chiriqui Land Co. company/plant level labor-management team which participated in the San Jose Regional Workshop indicated a desire, and a willingness, to establish the IBN process in their negotiations. Others were like minded and have asked for DOL assistance and training.

This program will contribute to a more modern and progressive work environment, improve the investment climate, increase productivity, foster increased international trade and U.S. exports, assist in attaining sustainable development, enhance democracy, contribute to a civil society and assist in the establishment of the constructive labor-management relationships which will be required by the proposed Free Trade Agreement of the Americas (FTAA).

We look forward to the opportunity to develop this joint program with AID.

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ILLUSTRATIVE BUDGET

PHASE I

Andean Group

Two Week Course

Preparatory Trip	
Airfare RT	\$1,300
Per Diem \$200 x 7 days	1,400
Course Costs	
Airfare RT \$1,300 x 3 training staff	3,900
Per Diem \$200 x 14 days x 3 training staff	8,400
Course Site - rental, student lunches, etc.	10,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2 x 10 days	5,500
Communications	500
Sub-total	\$34,000

National Conference

Preparatory Trip	
Airfare RT	\$1,300
Per Diem \$200 x 7 days	1,400
Conference Costs	
Airfare RT \$1,300 x 2 staff	2,600
Per Diem \$200 x 2 staff x 4 days	1,600
Conference Site - rental, equipment, lunch, etc.	4,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2	550
Communications	500
Write, translate & publish document	5,000
Sub-total	\$19,950
Total	\$53,950

Central America

Two Week Course

Preparatory Trip	
Airfare RT	\$1,400
Per Diem \$175 x 7 days	1,225
Course Costs	
Airfare RT \$1,400 x 3 training staff	4,200
Per Diem \$175 x 14 days x 3 training staff	7,350
Course Site - rental, student lunches, etc.	10,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2 x 10 days	5,500
Communications	500
Sub-total	\$33,175

Central America Continued

National Conference

Preparatory Trip	
Airfare RT	\$1,400
Per Diem \$175 x 7 days	1,225
Conference Costs	
Airfare RT \$1,400 x 2 staff	2,800
Per Diem \$175 x 2 staff x 4 days	1,400
Conference Site - rental, equipment, lunch, etc.	4,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2	550
Communications	500
Write, translate & publish document	5,000
Sub-total	<u>\$19,875</u>
Total	\$53,050

Southern Cone

Two Week Course

Preparatory Trip	
Airfare RT	\$1,500
Per Diem \$200 x 7 days	1,400
Course Costs	
Airfare RT \$1,500 x 3 training staff	4,500
Per Diem \$200 x 14 days x 3 teaching staff	8,400
Course Site - rental, student lunches, etc.	12,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2 x 10 days	5,500
Communications	500
Sub-total	<u>\$36,800</u>

National Conference

Preparatory Trip	
Airfare RT	\$1,500
Per Diem \$200 x 7 days	1,400
Conference Costs	
Airfare RT \$1,500 x 2 staff	3,000
Per Diem \$200 x 4 days x 2 staff	1,600
Conference Site - rental, equipment, lunch, etc.	6,000
Materials - translation & publication	3,000
Interpreters - \$275 per day x 2	550
Communications	500
Write, translate & publish document	5,000
Sub-total	<u>\$22,550</u>
Total	\$59,350

SUMMARY BUDGET

Andean Group		\$53,950
Central America		53,050
Southern Cone		<u>59,350</u>
	Sub-total	\$166,350
Salary & Benefits - teaching staff/ coordinator 36 man weeks		<u>58,392</u>
	Sub-total	\$224,742
DOL Overhead @ 25%		<u>56,185</u>
	Total	\$280,927

Phase II Contingent on the availability of funds, the DOL proposes to conduct a similar training program in three other selected countries in the sub-regions. In consultation with USAID, countries listed in Phase II, may be shifted to Phase I.

ANNEX J

Federal Mediation and Conciliation Service Proposal

PROPOSAL TO INTRODUCE SOUND INDUSTRIAL RELATIONS PRACTICES AND LABOR MANAGEMENT COOPERATIVE PROCESSES IN SEVERAL LATIN AMERICAN COUNTRIES

BACKGROUND

Industrial Relations and Economic Growth and Integration in Latin America

The elected Heads of State and Government of the Americas, at their Summit Meeting in Miami, Florida, December 9 - 11, 1994, identified a number of principles and commitments needed to advance their partnership for sustainable economic development, prosperity, democracy, and free trade in the hemisphere.

At this "Summit of the Americas", they recognized that "free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and protecting the environment". In pursuing their goal of establishing "The Free Trade Area of the Americas" (FTAA), they specifically recognized the need to provide technical assistance to facilitate the integration of the smaller economies and to increase their level of development.

The United States Agency for International Development has had, as one of its purposes, the advancement of free trade in the Latin American and Caribbean region. Currently, USAID is focusing assistance in selected countries of the region to address basic trade and integration issues as means of their full participation in FTAA. Through U.S. assistance, these regional economies will be better able to achieve sustainable economic growth within an increasingly competitive and interdependent global economy.

Among the objectives identified by both the Summit of the Americas and USAID to achieve sustainable economic growth in the nations of the region is the increased adoption of sound industrial relations practices and the adoption of improved labor management relations processes.

Cooperative Labor Management Relations and Economic Integration and Growth

Improved labor management relations and practices are essential conditions to achieve free trade, economic integration and sustained economic growth in the nations of the hemisphere. Any effort to resolve trade expansion and integration issues in the region will require, among other measures, the introduction and development of sound contemporary labor management relations practices and participative processes in the labor sectors of these countries. The adaption and use of these proven processes will serve to advance stable and equitable economic growth in the nations of the region and in the region itself.

Current experience of labor management practitioners in the United States demonstrates that the use of positive and cooperative labor management relations is a major factor in improving the competitiveness of the firm and the nation through increased

productivity, greater efficiency, improved quality and increased satisfaction and involvement of the work force. These same results have been achieved when these processes have been introduced in other countries, including those in Latin America.

Objectives of the Proposal

The aim of the proposed program is to provide skills training in sound and advanced industrial relations practices in selected nations of the Latin America and the Caribbean region (LAC). These practices would include responsible collective bargaining negotiations and administration of agreements as well as participative forms of labor management relations at the enterprise and other levels of industrial relations.

An additional objective of the program is to utilize these activities as examples of sound practices for other labor management relationships in the project countries and for practitioners of other countries of the region.

As the initial means of introducing these new processes, the current proposal calls for a series of sub-programs in each country including the creation of:

- a) A National or Regional Labor Management Committee to oversee and identify with the effort to introduce sound industrial relations practices and cooperative processes.
- b) The creation of a cadre of trained facilitators/mediators who will be trained in the use of these processes and accompany FMCS mediators in introducing these processes at demonstration sites.

Note: An important feature of each of these two sub-programs, a) and b), is to insure integration of generalized processes into the local legal, cultural and industrial relations climate, to gain acceptability of the program and the processes it intends to introduce among labor management practitioners and others and to provide the means of endurance of the new processes on completion of the program through the understanding and commitment of the members of the regional or national labor management committee and the available skills of the facilitator/mediator cadre. (See Appendix A).

- c) A series of labor management conferences conducted under local sponsorship to:
 - 1) Introduce and
 - 2) Report on the successful introduction and success of advanced labor management processes.
- d) Three on-site training and implementation programs at select company-union locations by the FMCS mediators, accompanied by members of the indigenous facilitator/mediator teams.

Orientation to Workplace and Enterprise Levels

The orientation of the proposal is to provide industrial relations skill training to labor and management practitioners at the work place and enterprise levels. While the program in each country would include a national seminar to introduce these processes, the heart of the program will reside at the several company - union sites where skills training will be provided to negotiators and administrators of specific labor management relationships. Implementation and advancement of these processes will require the creation of national or regional labor management committees and the establishment of a cadre of facilitators/mediators.

The on-site programs would include extensive internal reporting features designed to inform both management and rank and file members of the labor organizations of the nature and progress of the new labor management relationships. The sharing of this information has proven vital to achieving extended participation and commitment of the members of an enterprise workforce.

This program is intended to improve labor management relations in the full spectrum of these relations by addressing fundamental bargaining skills, bargaining structures, the functions and responsibilities of both labor and management in their relationships as well as their responsible administration of agreements. This stabilization, strengthening and advancement of normal relations between the parties is necessary as a basis on which to build cooperative and participative relations.

An important premise of this approach at the enterprise and shop floor levels of labor management relations is that any cooperative relationship at these levels requires a foundation of sound industrial relations practice. Responsible approaches to collective bargaining relations must include the development of communication, trust, understanding and acceptance of the fundamental roles of the parties. Thus, the program at each demonstration site would include pre-training meetings to determine the quality and level of labor management relations in order that on-site programs would commence at the level of need and 'readiness' of each set of relationships.

Purposes Addressed by Proposal

Specifically, the proposed program is intended to address the following areas:

a) Bargaining Structures

Improve collective bargaining structures by providing both knowledge and skills to negotiators at the enterprise levels. The program will aid these parties in negotiations and subsequent administration of agreements in using basic industrial relations processes to successfully address issues as they appear and in demonstrating the value of responsible and positive relations. FMCS believes that it is essential to advance labor and management relationships by

believes that it is essential to advance labor and management relationships by assisting the parties in strengthening their current structures and processes as a foundation to advance their relations. Thus, processes like Interest Based Bargaining require a beginning level of mutual understanding and elemental cooperation to be successfully introduced. Advanced processes will fail without a firm basis in fundamentally sound industrial relations practices.

b) Union and Worker Involvement

Strengthen union organizations through increased recognition and acceptance by employers, improved ability to address issues of concerns to members, increased success in representing the needs of workers in labor management exchanges and greater participation of the rank and file membership of the labor organizations in newly structured relationships with employers. Most importantly, unions will be strengthened when they obtain a share in the economic benefits for their members as a result of their participation in the new labor management partnerships.

c) Employer Participation and Commitment

Demonstrate the benefits of stable and participative relationships to employers who previously had relied on suppression of worker influence in the workplace. Employers will be initially more aware of the importance of increased ability to compete in the global work place, they will become more open to the possibility of improved labor management relations when they understand the value of these approaches as vital measures in improving their competitive position. These same employers will most likely be conscious of the role which improved labor management relations is playing in the success of firms in other countries.

d) Mutual Benefits

Provide participants with an appreciation of the mutual benefits of stable and positive relations whereby they will be able to improve the economic outlook of the company with consequent benefits to employers, workers and the nation. With both labor and management increasingly aware of the need to improve productive processes in the interest of competitiveness, and with the means of jointly addressing the means necessary to accomplish that competitiveness, they will be motivated by mutual self interest to seek continuing improvement in their relationships.

e) Dispute Resolution

Familiarize labor and management with dispute resolution processes which can assist them in addressing issues which might interfere with their larger goals. In the normal course of events, differences between labor and management will arise even under the most advanced forms of relationships. An understanding of various forms of dispute resolution processes will become more essential in anticipation of unresolved differences, motivating both sides to understand and support the creation of methods designed to resolve those differences.

To that end, a cadre of facilitators/mediators would be trained in each country to: 1) Assist labor and management through the use of dispute resolution skills and 2) To build an existing relationships through the introduction of cooperative processes.

f) Governmental Understanding and Support

Create a new awareness among governmental institutions such as Ministries of Labor that the use of these processes are in the national interest, thereby gaining government recognition and support of the use of advance labor management practices. Further, newly trained ministry staffs and other experience officials involved with labor management relations can support sound industrial relations practices and cooperative relationships in their various roles with employers, unions and workers. This can be achieved through their training in the use of alternative dispute resolution, collective bargaining and participative labor management relations.

PROGRAM

It is proposed that the Federal Mediation and Conciliation Service (FMCS),¹ undertake a program of approximately one year in duration in two Latin American countries, to introduce the use of responsible labor management relations at the enterprise or firm level. The program will be a means of introducing improved labor management relations, increasing the level of worker participation in both the activities of the enterprise and the benefits derived from improved processes and profitability while achieving increased competitiveness in the integrated new economies. These new capabilities are intended to contribute toward improved competitiveness of the enterprise as well as increase stable national economic growth and greater participation of these nations in the interdependent global and regional marketplace.

¹ An independent agency of the United States government dedicated to assisting U.S. labor and management in the successful resolution of their disputes and in improving their relationships

Program Format and Content

Each of these programs would consist of a one day national conference on goals and objectives of the programs, presentations on the value and means of improved labor management relations, and creation of a National or Regional Labor Management Committee to oversee and advise on the programs to be conducted at the enterprise levels.

With the advice of the National Labor Management Committee and U.S. officials, (USAID, U.S. Labor Attache, etc.) FMCS would identify no more than three labor management sites in each country where programs of hands-on-training would be conducted.

Demonstration Site Training

Demonstration site programs would include:

- 1) On-site diagnosis of structure and process of labor and management for bargaining to determine initial level of training,
- 2) Identification of issues and preparation for bargaining,
- 3) Negotiations skills and considerations,
- 4) Administration of agreements,
- 5) Introduction to cooperative relations through use of FMCS' Relations by Objectives program to initiate constructive and participative relations,
- 6) Creation of labor management committees at each site to address areas of mutual concern thorough regular meetings and implementation of resolutions with reporting to constituencies,
- 7) Introduction of advance labor and management partnerships,
- 8) Advanced training of labor management committees, (committee effectiveness programs),
- 9) Introduction of interest based negotiations,

Members of the national labor management committee would be invited to observe these various phases of the programs conducted to improve work place and firm level negotiations.

- 10) Follow-up consultations.

FMCS experience in assisting labor and management at the enterprise level in developing any new approaches in industrial relations and improvement in their relationships requires more than a single training experience. In every training the Service has ever provided, whether in domestic cases or overseas, (as in the current program in Ecuador), follow-up consultations are needed in the interest of bringing about permanent changes.

This proposal has been expanded to include optional provisions for follow-up activities by the FMCS mediators and local facilitators/mediators.

FMCS QUALIFICATIONS

The Federal Mediation and Conciliation Service has 195 mediators² currently involved in providing the types of training described above to labor management practitioners in the United States. The Service now uses these specific training elements as means of assisting American labor management practitioners in improving their relationships.

FMCS Overseas Experience

Many of the mediators have successfully conducted similar programs in other countries in Asia, Africa, Europe and Latin America as part of the Service's international technical assistance activities. Examples of this overseas training activity have taken place in such countries as South Africa, Guatemala, El Salvador, Taiwan, Argentina, Ecuador, Poland and Russia. In these and other countries, FMCS mediators have assisted local labor and management groups in adapting these advanced processes to local conditions and cultures.

In addition, FMCS has gained an international reputation by conducting training and participating in workshops and conferences such as those sponsored by the European Union, the recent series of Latin American regional conferences on labor management cooperation sponsored by USAID and the U.S. Department of Labor, a Korean workshop series on sound practice in industrial relations, a series of USIA programs in Latin America, a series of labor management training programs in Russia funded by the Eurasian Foundation, etc.

Recently, the Service has been directly asked to provide these services in Argentina, Chile, El Salvador and Ecuador in Latin America. FMCS has similarly inquiries and activities elsewhere in the world.

² An initial hiring qualification for the position of an FMCS mediator is a minimum of eight years experience as a union or management negotiator of collective bargaining agreements.

Domestic Preventive Mediation Experience

In addition to its extensive dispute mediation activity (22,500 cases in Fiscal Year '94), FMCS experience in the areas of this proposal is exemplified in the 2,400 programs conducted by staff mediators in 1994 in response to the growing domestic interest among American labor management practitioners in labor management cooperation, joint decision making, employee involvement processes as well as organizational and quality improvement. In response to those interests, the mediators provided programs in more effective techniques and skills in bargaining, communications, collaborative labor management processes for improved labor management relations, economic competitiveness, work place performance and governance and job security, benefit sharing, participative decision making, interest based negotiations and conflict resolution.

Under the current administration of FMCS, a Mediator Task Force has charted a more intensive role for the Service in improving and advancing labor management relations in the United States. Since then, a series of task groups have been improving and advancing these processes for use under the Service's new initiatives documented in a recent publication, "Forces for Change." The results of these improvements would be incorporated in Service activities in this hemisphere under this proposal.

ANTICIPATED PROGRAM RESULTS

In implementing this program in the various selected countries, the mediator teams would expect to enlist the participation and involvement of Chambers of Commerce and Industry, Trade Union Federations, the regional and local operations of the American Institute for Free Labor Development, universities and other organizations working in the area of labor management relations. As one example of a current program in Ecuador, the Service would involve the leaders of CEOSL and FETLIG (Guayaquil), the Chambers of Industry and Commerce of Guayaquil, Quito and Cuenca and the democratic trade union leaders from these areas.

Through the national and regional labor management committees which would be formed and trained to support and continue these efforts, it would be expected that labor management relations at the various enterprises would improve with resulting effects on competitiveness of the firms and increased recognition and development of partnerships between labor and management. Further, it is expected that the motivation to participate in increased economic growth will serve to dampen traditional hostilities between labor and management and serve to increase their joint participation in the advancement of their relations in the interest of mutual improvement.

Specifically Anticipated Results

- A) Creation of a National or Regional Labor Management Committee which would continue efforts of advancing the quality of labor management relations on the completion of the USAID/FMCS program**
- B) Develop a cadre of local facilitators/mediators who will continue to provide dispute resolution and relationship building services to the labor management community as a locally supported continuation of the USAID/FMCS program.**
- C) Establish functional examples of advanced labor management relationships in three companies to serve as models in the use of sound labor management processes and cooperative relationships.**
- D) Commit the larger labor management community including governmental agencies, employer organizations, unions, academics and others to the use of these processes, leading to the transformation of the industrial relations system to improve enterprise and national competitiveness through innovative and flexible participative processes, and increase the participation of workers in decision making and gain sharing.**
- E) Increase national capability to participate effectively in the larger integrated economy of the region.**

The benchmarks in measuring progress toward these goals are:

- 1) The successful establishment of a National Labor Management Committee committed to the improvement of labor management relations,**
- 2) The lessening of existing labor management tensions by providing the possibility of new models of relationships with both local and national implications,**
- 3) Increased understanding of the need for change from traditional, adversarial relations and limited bureaucratic guidelines by government, employers and unions,**
- 4) Creation of several examples of improved labor management relations and creation of interest in other labor management relations in the use of the advanced processes,**
- 5) Establishment of a cadre of facilitators/mediators who are recognized and used as agents of change and improved relationships.**

Strategy for Achieving Results

Based on FMCS experience in other countries where FMCS has provided technical assistance, the strategy we have chosen would provide technical assistance to specific local companies and unions in the improvement in their labor management relations to increase their participation in the economy and to serve as examples of the usefulness of improved approaches to their relationships.

While this program will involve conferences and seminars at the regional and national levels to gain understanding and commitment to these processes, the proposed program is not centered solely on national level training programs since these do not provide for continuity of implementation and long range commitment. FMCS experience indicates that stand alone training conferences have limited and often non-lasting effects.

Institution Building and Regulatory Implementation Reform

This program is viewed by FMCS as the first step in the development or transformation of the local industrial relations system. The demonstration effect of a successful introduction of sound and cooperative relations at the firm level should lead to re-consideration of current institutional commitments and existing labor code provisions. It would be expected that, with success of new relationships clearly demonstrated at the firm level, the National Labor Management Committee would look to the creation of supportive institutions and changes in regulatory provisions to support these new directions.

Note that the recommendation of a National Labor Management Committee includes participation by existing institutional and governmental representatives to provide them first hand experience with the introduction and implementation of new industrial relations approaches

Promotion of Labor Management Cooperative Strategies e.g. Interest Based Negotiations

Within the limits of the proposed program, the further promotion of sound labor management relations and cooperative processes, adapted to local usage, would follow from the observation of the success of the introduction of these processes by members of the labor management committee and their constituencies. Thus, government representatives on the National Labor Management Committee would report to the Ministry on the value of these processes and suggest revision of their Labor Code in support and encouragement of these processes, university members on the Labor Management Committee would recognize the usefulness of these approaches and recommend the creation of academic programs, institutes and research on the use of these programs, etc.

One element of the current proposal is to begin each national program with a labor management conference, hopefully sponsored by the National Labor Management Committee, to inform the full national labor management community consisting of labor, management,

governmental and academic entities of the purpose and content of the program. In addition, the program provides for an additional Conference on completion of the program, again sponsored by the National Labor Management Committee to report on the success of these efforts and provide representatives of these constituencies (government, academic, labor and management) to address initiatives they would undertake to promulgate and advance these processes.

It should be noted that Interest Based Negotiations, as successful as these have been in the U.S. and elsewhere, are not the only form of advanced labor management cooperation. While this proposal includes introduction of Interest Based Negotiations at the level of the firm in the three demonstration projects, Interest Based Negotiations is but one of several approaches in the larger framework of cooperative labor management relations which will be introduced. While Interest Based Negotiations are an important and effective ingredient, it is not necessarily the first step or even a 'sine qua non' of labor management cooperation.

Permanent/Sustainable Solutions

In choosing the strategies of establishing a broadly representative national or regional labor management committee, recommending the creation of a cadre of facilitators/mediators and the series of demonstration sites, together with the introductory labor management conference and the post-program conference, FMCS' purpose is to create a basis of perpetuation of the programs.

By providing specific training for the members of the National Labor Management Committee and creating a cadre of experienced facilitators/mediators, the first elements of understanding and resources will have been provided. Unlike stand alone training programs and/or conferences which do not have the elements of continuity, this program is designed to provide demonstrated success, commitment and resolution by the labor management committee both as an entity and in its members and their constituencies and in the availability of a skills ready cadre of facilitators/mediators.

Essentially, the program would provide the understanding, the initial structure and the technical ability to institute new directions within a given industrial relations system. The hinge of converting the lessons of this program to larger policy directions is the conviction of the institutional observers of the value of these approaches.

Appropriate Role of Industrial Relations Entities.

As provided in this program description, it is our intent to include as many of these labor relations entities in a given country in the membership and activities of the labor management committee, the conferences, etc, as might be supportive of these new approaches. It is our expectation that labor unions will take a positive position on these new approaches, together with their management counterparts and to provide internal support in the form of training, advice to members, etc. In the same vein, we would expect bar associations,

employer associations and professional groups to foster the development of these approaches in their own organizations. Realistically, Ministries of Labor will probably be slower to change legislative provisions for industrial relations but, again, faced with the realities of new and useful directions, the governments will have to address these issues and their role in achieving the larger national goals identified at the "Summit of the Americas".

Universities, as mentioned above, already committed to human resources development in their programs, will view these developments as new areas for research and for delivery of services to their various communities.

Contribution of Management and Labor

With the expectation that the introduction of these processes will be successful and properly understood, labor unions may be expected to provide policy and program support, training and guidance to its members and their representatives. Management organizations can provide technical support to their member organizations, urge for supportive legislation and provide member training in the use of these new processes. Again, much of these results are further down the line and must await the initial success of the programs being recommended in this proposal.

Selection of Countries . . .

Since this proposal is intended to provide a demonstration of the usefulness of improved labor management relations as a factor in sustained economic development, the two countries selected as the original demonstration sites should possess:

- a) A heightened awareness of the importance of successful participation in the Free Trade Areas of the Americas (FTAA) and a potential awareness of the importance of labor management relations to that participation;
- b) Existing trade relations agreements with other countries in the region as was described in "Reports on Work Underway" in the Joint Declaration of the Summit of the Americas Trade Ministerial, (Denver, CO. June 30, 1995);
- c) Presence of a sophisticated labor and management community with supporting constituencies at national and local levels;
- d) Constituent interest in expanded trade relations;
- e) Availability of at least three demonstration sites which are strategically placed in the national economy to insure national attention on successful improvement of labor management relations;

- f) Expressed desire to gain assistance in the improvement of labor management relations and use of cooperative processes.

It is our recommendation that two countries to be selected as sites for these programs are:

1) **Argentina:** FMCS has recently received a letter from a Sub-Secretary for Labor Relations of the Ministry of Labor of Argentina citing the history of cooperation they have received from FMCS including a program conducted earlier this year, and indicating the need to increased cooperation between companies and unions in that country resulting from changes they are experiencing in their system of industrial relations. The Ministry is asking FMCS to discuss ways in which FMCS can provide technical assistance, e.g. in the form of programs for their officials and for labor and management constituencies.

Given the level of sophistication of that country in its labor and management sectors, and the potential value of other institutions in Argentina and the expressed interest of the Labor Ministry, and given existing relations and existing acceptability of FMCS among labor and management organizations in that country, we believe Argentina would be a likely site for this program.

2) **Ecuador.** Given the fact that FMCS has been instrumental in raising an awareness among influential labor leaders in Ecuador of the need for industrial relations system reform and the value of cooperative relations between labor and management in that country, the subsequent approach by labor to their management counterparts with the recommendation that they reform their relationships, and the series of three separate programs involving FMCS mediators, Ecuador is a prime candidate for this program activity.

The programs conducted by FMCS there in the last year have resulted in the formation of a regional labor management committee in the Guayaquil area, the success of several labor management training conferences, the expressed interest for similar programs in the Quito and Cuenca areas, the evident diminution of labor management tensions resulting directly from these initiatives and the central role of Ecuador in the Andean region, argue for the inclusion of this program as part of this proposal initiative. Too, these efforts, which have raised national expectations in the improvement and advancement of labor management relations have already committed the attention and interest of the labor and management communities of Peru and Columbia.

Given FMCS' inability to continue its current efforts in Ecuador because of limited financial sport (all efforts thus far have been substantially supported financially by the local labor and management communities), it is our recommendation that Ecuador be included as one of the two countries involved under this proposal

OUTLINE OF BUDGET REQUIREMENTS

FMCS recommends that the Proposed Program be conducted in the two recommended countries. Each country program will require:

1. Initial trip by two FMCS mediators of one week duration to:

- a) Meet with U.S. and local leaders to determine labor management climate and explain purpose of the program,
- b) Identify, recruit, meet and initiate training with members of the national or regional Labor Management Committee,
- c) Initiate identification and selection of candidates for facilitator/ mediator cadre (initially limited to six people),
- d) Identify candidate organizations for labor management demonstration sites,
- e) Conduct two day labor management conference on Improvement of Labor Management Relations.

(FMCS would initiate these activities prior to this first visit through the cooperation of in-country organizations.)

2. Two week visit:

- a) Continue Training of Members of Labor Management Committee (two days)
- b) Initiate training program for Facilitators/Mediators identified and selected by the Labor Management Committee with the advice of FMCS mediators (five days)
- c) Provide initial group training of labor and management representatives of selected demonstration sites (three days)
- d) Consultation with various supporting organizations

3. Two week visit:

- a) Final training of Labor Management Committee (one day)
- b) Continuing training of Facilitator/Mediator Cadre (three days)
- c) Initiate Program at First Demonstration Site in company with two members of the Facilitator/Mediator Cadre (three days)
- d) Initiate Program at Second Demonstration Site in company with two other members of the Facilitator/Mediator Cadre (three days)
- e) Review meeting of Demonstration Site experience with cadre of Facilitators/Mediators

4. One week visit:

- a) Continuing Training of Facilitator/Mediator Cadre (Post demonstration site activity)
- b) Continuation of Training at First Demonstration Site (one day)
- c) Continuation of training at Second Demonstration Site (one day)
- d) Initiation of training at Third Demonstration Site (three days)
- e) Consultation with Labor Management Committee and other support groups

5. One week visit:

- a) Continuing Training, Review of Demonstration Site Experience at Demonstration Sites with Cadre (one day)
- b) Continuation at First demonstration site (one day)
- c) Continuation at second demonstration site (one day)
- d) Continuation at third demonstration site (one day)

6. Two week visit:

- a) Training with Cadre (one day)
- b) Continuation of demonstration site training, as needed (six days)
- c) Labor Management Conference sponsored by Labor Management Committee with speakers from the Committee, the demonstration sites, reporting on the program
- d) Final round of meetings with various authorities to report on progress, plan for future development and implementation of advanced labor management relations and cooperative processes.

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ESTIMATED BUDGET

COOPERATIVE LABOR MANAGEMENT RELATIONS IN LATIN AMERICA

International Airfare	\$2,000 x 2 mediators x 6 trips	\$ 24,000
Per Diem	\$200 x 2 mediators x 63 days	\$ 25,200
Other	\$200 x 2 mediators x 6 trips	\$ 2,400
Materials Translations		\$ 5,000
Interpreters	\$275 x 2 interpreters x 45 program days	\$ 24,750
In-Country Travel		\$ 4,000
Conference Sites, Luncheon for participants		\$ 8,000
Salaries and benefits	\$400 x 2 mediators x 45 days	\$ 36,000
National Office Support	\$500 x 5 days	\$ 2,500
& Coordination	\$200 x 5 days	<u>\$ 1,000</u>
		\$132,850
Overhead		<u>\$ 26,570</u>
		\$159,420
Estimated budget per program		\$160,000
Total estimated budget for two programs		\$320,000

APPENDIX A

ESTABLISHMENT OF NATIONAL OR REGIONAL LABOR MANAGEMENT COMMITTEES AND CREATION OF A LOCAL CADRES OF FACILITATORS/ MEDIATORS

National or Regional Labor Management Committees

It is recommended that, preliminary to the on-site training of labor and management representatives involved in specific relationships, attention be given to the creation of a national or regional labor management committee composed of recognized and respected labor and management practitioners, nominees of representative organizations and representative(s) of government agencies.

The purpose of this labor management committee would be to gain acceptance and attention to these efforts to introduce improved labor management relationships, to advise on the training to be provided, to participate in the selection of members of the facilitator/ mediator cadre, to assist in the selection of the three local labor management sites, to oversee and endorse the training being provided and to provide leadership in the later utilization of the facilitators/mediators to introduce these processes at other locations.

This labor management committee would itself receive training and orientation from the FMCS mediator team, receive regular reports from the FMCS team on the progress of on-site training as well as consultation on future use of these processes.

Local Facilitators/Mediators

It is recommended that a team of acceptable, experienced facilitators/mediators be given initial training prior to the on-site programs.

The purpose of the cadre facilitators/mediators would be:

- 1) To assist the FMCS mediators in the introduction of sound labor management relations and innovative and cooperative processes in the on-site programs,
- 2) To be available and assist in advancing these on-site efforts during the absence of the FMCS mediators,
- 3) To continue efforts to introduce and advance the improvement of relationships at other enterprises on completion of the USAID/FMCS programs,
- 4) Dispute resolution assistance (labor dispute mediation) to demonstration sites negotiators and others.

NOTE: Concerning item 4, it is FMCS experience that mediator assistance to labor and management negotiators in resolving negotiations differences often present opportunities to suggest that the parties review their fundamental relationships and utilize the mediator to develop improved cooperative relations. Thus, the availability of local mediators to assist in resolving disputes provides a significant, continuing opportunity to introduce labor management cooperation after completion of the FMCS program.

Depending on local circumstances, these facilitators/mediators either would function independently, as part of an independent organization or as a function of the Ministry of Labor or other local organization.

Training of the Cadre of Facilitators/Mediators, selected in cooperation with the National Labor Management Committee and others, as required, would include:

- A) Acceptability, neutrality, experience, confidentiality, ethics,**
- B) Basic understanding of labor management relations including provisions of local industrial relations systems and practices, the role of labor and management in contractual relationships, preparation for collective bargaining, collective bargaining negotiations, reaching agreements, administration of agreements, characteristics of sound labor management relationships,**
- C) Forms and use of dispute resolution, mediator skills,**
- D) Introduction of cooperative labor management relationships, use of programs such as Relations by Objectives, Partners in Change, Committee Effectiveness Training, creation and use of labor management committees, Introduction to Interest Based Negotiations, etc.**
- E) The use of the facilitator/mediator as neutral adviser and consultant, promoter of sound labor management relations and cooperative processes, etc.**

FMCS will provide on-going, post program consultation to this function as part of an informal network of dispute resolution activities.

ANNEX K

USGS Monitoring and Evaluation Proposal

Program Description Creation of Enhanced Monitoring and Evaluation Tools by the U.S. Geological Survey

For the U.S. Agency for International Development (USAID), the National Mapping Division (NMD) of the U.S. Geological Survey (USGS) will provide a five-year technical assistance program to develop a data interface which can be used to monitor progress toward achieving the strategic objectives of the Hemispheric Free Trade Expansion (HFTE) Project (598-0822). The principal objective of the USGS technical assistance is to develop a geographically referenced data repository system which permits collection, storage and retrieval of performance-indicator data specified by USAID for the targets of the HFTE project. Analysis and evaluation of the data falls outside the scope of the Inter-Agency Agreement (IAA).

The data repository will be able to ingest, store, and export data of specific formats which are identified by USAID as necessary to monitor and evaluate the HFTE Project. The data will be obtained throughout the Hemisphere from a range of sources. Access to the data will be through a graphical user interface which includes cartographic display and hypertext links in addition to other more conventional graphical, textual, and tabular data interfaces. A needs assessment will be conducted by USGS with USAID's cooperation at the beginning of the program to identify the data users, determine which data are to be placed in the repository, and describe the desirable characteristics of data retrieved from the repository. The information obtained from the needs assessment will be used to design and implement the repository as a tool to assist USAID officers to monitor and evaluate the HFTE Project.

It is anticipated that the data repository will include functions to permit collection of routine trade data which will arrive at USAID in a variety of formats. Software tools will facilitate structuring the data in a standardized way to permit display in a geographic context. Data for basic geographic themes for the hemisphere will be assembled (countries, administrative boundaries, transportation, hydrography, etc.), and geographic data viewing utilities will be developed to permit enhancement of geographic entities based on the values of the trade variables which describe them.

Because data input to the data repository will be georeferenced, the use of geographic-information-system (GIS) technology in conjunction with the data repository will allow users to better understand linkages among the five sectors identified by USAID as important to the LAC regional program: economic growth, population and health, environmental preservation, democracy and human rights, and education. Within the framework of USAID's goal to encourage broad-based economic growth in Latin America and the Caribbean, the data repository will

contribute to the monitoring and evaluation of achievements relative to Strategic Objective No. 1, *i.e.* Resolution of key issues impeding environmentally sound and equitable free trade in the hemisphere.

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**USAID/LAC Hemispheric Free Trade Expansion
Enhanced USAID Monitoring and Evaluation**

CATEGORY	FY 1995	
	FTE	Amount
Program/Project Management	0.11	\$11,000
WWW Programmer	0.14	\$6,300
GIS/Repository Programmer	0.43	\$26,230
GIS Data Manager	0.11	\$5,060
Spatial Metadata Specialist	0.22	\$8,580
GIS Design Specialist	0.04	\$3,120
Administrative Assistant	0.07	\$2,800
Secretarial Support	0.02	\$720
Travel		\$7,200
Supplies		\$5,200
Digitizing/Data Purchase		\$12,900
Equipment		\$10,890
Activity Total	1.14	\$100,000

Note: Figures are loaded with 40% overhead, except Supplies, Computer Expenses, and Contracts, which carry 20% overhead. Inflation is assumed at annual rate of 2.5%.

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