

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D C 20523

G-CAP

PROJECT PAPER

REGIONAL TRADE POLICY PROJECT

AID/LAC/P-950

PROJECT NUMBER 596-0178

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1 TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY
USAID/G-CAP

3 PROJECT NUMBER
596-0178

4 BUREAU/OFFICE

LAC

05

5 PROJECT TITLE (maximum 40 characters)

Regional Trade Policy Project

6 PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
08 31 00

7 ESTIMATED DATE OF OBLIGATION

(Under B below, enter 1, 2, 3, or 4)

A. Initial FY 91 5

B. Quarter 4

C. Final FY 91 7

8 COSTS / \$000 OR EQUIVALENT \$1 =

A. FUNDING SOURCE	FIRST FY 95			LIFE OF PROJECT		
	B. FY	C. L/C	D. Total	E. FY	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(-)	(285)	(285)	(4,808)	(437)	(5,245)
(Loan)	()	()	()	()	()	()
Other						
U.S.						
Host Country	-	-	-	-	1,741	1,741
Other Donors)						
TOTALS	-	285	285	4,808	2,178	6,986

9 SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1 Grant	2. Loans	1. Grant	2. Loan	1 Grant	2. Loan	1 Grant	2. Loan
(1)	DA					5,245	-	5,245	-
(2)									
(3)									
(4)									
TOTALS						5,245	-	5,245	-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase regional preparedness for participation in free trade agreements

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

I certify that the methods of payment and audit plans are in compliance with the payment verification policy.

Gary Bylesby, Controller

17 APPROVED BY

Signature

William Stacy Rhodes

Title

Director

Date Signed

MM DD YY
10/21/00

18. DATE DOCUMENT RECEIVED IN AID/W OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

Through DDIR, Juan Belt ¹⁵
From C/PDM, Elizabeth Warfield ^{EPW}
Subject Authorization of the Regional Trade Policy
(596-0178) Project Paper
Date June 21, 1995

Action Requested That you approve the attached Project Paper and Authorization for the Regional Trade Policy Project (596-0178) The Authorization will be at a LOP funding level of \$5,245,000, with a planned life of project until August 31, 2000

Background The five-year, \$5 245 million Regional Trade Policy Project (596-0178) is designed to contribute to sustainable economic growth with equity in the region, through supporting Central America's efforts to accelerate its integration into hemispheric and global markets The Project represents the Mission's primary instrument for supporting the immediate action agenda of the Summit of the Americas in areas contributing toward the achievement of the negotiation of the Free Trade Area of the Americas by 2005 and enhancing labor's participation in the economic growth process

The **goal** of the Regional Trade Policy Project is to increase Central American participation in the hemispheric economy This will be accomplished by increasing regional preparedness for participation in free trade agreements, which is the project **purpose** Further efforts by Central American countries toward regional economic integration will also be supported to the extent that they are oriented toward integration of the region into the hemispheric economy and increase regional readiness for free trade agreements To achieve the project purpose, the Regional Trade Policy Project will promote the establishment of the policy framework and enforcement mechanisms required for free trade agreement accession, a reduction in internal and external tariff and non-tariff barriers and increased participation of labor in the economic growth process

USAID/W reviewed and approved the New Activity Description (NAD) for the Regional Trade Policy Project (520-0413) as part of the review of USAID/G-CAP's FY 1995-96 Action Plan However, LAC determined that PP review and authorization would take place in Washington, due to concerns about duplication or overlap with the LAC Regional Free Trade Expansion Project

Discussion The Project Paper was reviewed in USAID/G-CAP on May 12, 1995. Following is a summary of the major issues discussed at the meeting and their resolution.

- 1 Project Feasibility Successful activities in the areas of policy reform and policy implementation require national and regional political will. Recently, the situation with regard to external tariffs has become more complex and varied, in large part due to fiscal policy reasons. However, it should be noted that the general trend in the region is towards reduction of trade barriers. Even if the Project is occasionally challenged by protectionist attitudes, this would make an even stronger argument for project continuation to combat such trends.
- 2 Need for a Regional Program The need for a regional approach on trade policy has often been questioned since many countries are moving forward on policy reform independently. However, the project can serve as a mechanism for encouraging other countries to follow these examples, leading to "upward harmonization" in key policy areas. Additionally, assistance will be required on a regional level to encourage efficient and effective enforcement of the policy reform legislation, since participation in a free trade agreement will not only require a solid legal framework but also the ability to enforce it.
- 3 Obligation Mechanism During the project design, it was decided that the most effective way to ensure that the project was achieving the desired results and responding to the needs of the Ministers was to obligate all project funds through an agreement to be signed by the Ministers of Economy. Meetings have already been held or are being scheduled to individually discuss the project and its implementing mechanisms with each Minister. Based on preliminary conversations in Guatemala, the vice-ministers of Economy of Central America are likely to become the informal steering committee. USAID/G-CAP will meet at least semi-annually with the vice-ministers to discuss the strategic focus of the project and its results. To facilitate administrative and technical contact with the Mission, the vice-ministers will designate one representative (possibly located in the foreign trade department of the Guatemalan Ministry of Economy) to handle routine administrative matters and to participate in the selection of contractors/grantees for project implementation. In addition, the Mission will consult periodically with members of other interested sectors (Ministries of Labor, civil groups, labor sector, and private sector) to assure that the project is reaching the desired results.

- 4 Implementing Mechanism The PP has been revised to change the project implementing mechanism from a large institutional contractor awarding sub-contracts and sub-grants to being 4-5 Mission-managed contracts or grants. The specific implementing mechanism (HB 3, HB 13 or contract) for each project component will be determined as each component is phased in. This change in implementing mechanism will allow for more direct Mission contact with project implementing agencies and increased flexibility in determining the type of implementing mechanism to be used.
- 5 Counterpart All grant agreements awarded under the project will be required to include a 25% counterpart, unless a specific waiver is approved to provide otherwise. In addition, it is expected that local private organizations or NGOs will provide counterpart funding (in cash or in kind) to support project seminars and other activities. The Ministries of Economy will not be held responsible for directly providing counterpart funds since this is a regional project.
- 6 USAID/Washington Review LAC reserved PP review and authorization to take place in Washington, due to concerns about duplication or overlap with the LAC Regional Free Trade Expansion Project. A section in the Project Paper has been expanded to clarify what the roles of each project will be.
- 7 Non-Presence Countries Pending approval from USAID/W to finance activities related to Costa Rica and Belize after 30 September 1996, the Project Authorization will preclude such activities.

The PP was reviewed in Washington during Action Plan Week (May 30-June 2, 1995). Reviewers at the issues meeting reacted favorably to the PP and had the following guidance for project implementation: (a) a framework should be developed which lays out the respective roles of the USG organizations involved in FTAA accession and how this project fits in, and (b) implementors need to look at a wide range of existing technical assistance mechanisms for individual project elements. These would, for example, include Global field support mechanisms and 632 transfers. The PP was revised to include the USG roles framework, and the Mission has agreed that, to the extent appropriate mechanisms exist in the G or LAC Bureaus, it would seek to utilize those mechanisms before conducting a separate procurement process.

In a separate meeting with the AA/LAC, it was decided that there were no issues requiring a DAEC. However, the AA/LAC indicated that the Mission should insure that broad participation of NGOs be

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included in the relevant policy fora carried out under the project regarding harmonization of labor, trade and environmental codes and regulations. This would inform the general discussions on free trade and lead to greater involvement of small business in these discussions. The AA/LAC also indicated that the linkage with trade related environmental policy under the PROARCA project should be made more explicit and that environmental impacts of trade should also be part of the discussions under PROARCA. Appropriate sections of the PP have been revised to include, and project implementation will be guided by, these concerns.

Initial Environmental Waiver The Mission's request for a categorical exclusion for this project was approved by LAC in LAC-IEE-95-12, dated April 18, 1995. The categorical exclusion was issued for workshops, seminars and conferences, visitation tours, short-term training, and policy sessions. A Conditional Negative Determination was issued for designing new trade policies and assistance in drafting new legislation due to the potential for negative environmental impacts (direct and indirect). To mitigate environmental impacts, LAC requested that the Regional Environmental Advisor be involved in design of all activities, and recommend mitigative measures.

Congressional Notification A Congressional Notification has been prepared, but has not yet been sent up to the Hill. No obligations under this Project will be incurred until LAC formally notifies the Mission that the CN has expired.

Authority In State 155399, dated June 28, 1995, LAC authorized the Mission to finalize the Project Paper and authorize the project.

Delegation of Authority No 752, dated September 14, 1992, grants you authority to approve projects with a LOP of up to ten years and funding of up to \$50 million.

Recommendation That you sign the attached Project Data Sheet and Project Authorization, thereby approving and authorizing the Regional Trade Policy Project (596-0178) for total life-of-project funding of \$5,245,000.

Attachments

- 1 Project Data Sheet
- 2 Project Paper
- 3 Project Authorization

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PROJECT AUTHORIZATION

Name of Country Central America
Name of Project Regional Trade Policy Project
Number of Project 596-0178

- 1 Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Regional Trade Policy Project, involving planned obligations of not to exceed \$5,245,000 in grant funds over the life of project, subject to the availability of funds in accordance with USAID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life-of-project is until August 31, 2000

- 2 The Project purpose is to increase regional preparedness for participation in free trade agreements. Further efforts by Central American countries toward regional economic integration will also be supported to the extent that they are oriented toward integration of the region into the hemispheric economy and increase regional readiness for participation in free trade agreements

- 3 The Project Agreements, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with USAID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as USAID may deem appropriate

3 1 Source and Origin of Commodities, Nationality of Services

a U S Dollar Financing

Commodities financed by USAID under the project shall have their source of origin in the United States (Country Code 000), except as USAID may otherwise agree in writing or as provided in paragraph 3 1 b below

The suppliers of commodities or services shall have the United States as their place of nationality, except as USAID may otherwise agree in writing or as provided in paragraph 3 1 b below

Ocean shipping financed by USAID under the Project shall, except as USAID may otherwise agree in writing, be financed only on flag vessels of the United States. Air transportation services financed under the Project shall be on U S flag carriers except to the extent such carriers are not "available" as such terms is defined by the U S Buy America Act

b Local Cost Financing

Local cost financing, totaling \$437,000, is authorized only to the extent permitted by the Agency's Buy America policy as outlined in 90 State 410442 and in Handbook 1B, Chapter 18. If necessary, individual waivers may be processed for procurement of goods and services which are outside the exemptions to the Buy America Policy but necessary to Project implementation, under the criteria stated in Handbook 1B, Chapter 5. The limit of \$437,000 may be adjusted upward pursuant to separate justification to the authorizing official.

3 2 Condition Precedent to Disbursement

Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantees will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) A statement of the name of the person holding or acting on behalf of the Grantees, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) Notwithstanding the foregoing, funds may be disbursed to contact USAID Project assistance or USAID-initiated technical assistance prior to satisfaction of such condition precedent.

3 3 Activities in Support of Costa Rica and Belize

Unless and until USAID specifically directs otherwise, no activities in support of Costa Rica and Belize will be financed by the Project after 30 September 1996.



William Stacy Rhodes
Director, USAID/G-CAP

Date June 29, 1995

Regional Trade Policy Project

596-0178

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

AIFLD	American Institute of Free Labor Development
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
CET	Common External Tariff
CONCAUSA	U S -Central American Agreement on sustainable development
FSN	Foreign Service National
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
IPR	Intellectual Property Rights
LAC	Latin America and the Caribbean
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barriers
PROARCA	Regional Central American Environmental Project
PTO	Patent and Trademark Office
SAL	Structural Adjustment Loan
SIECA	Secretariat for Central American Economic Integration
TIC	Trade and Investment Council
TRIPS	Trade Related Aspects of Intellectual Property
USTR	United States Trade Representative
WTO	World Trade Organization

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Executive Summary

The five-year, \$5 245 million Regional Trade Policy Project (596-0178) is designed to contribute to sustainable economic growth with equity in the region, through supporting Central America's efforts to accelerate its integration into hemispheric and global markets. The Project represents USAID/G-CAP's primary instrument for supporting the immediate action agenda of the Summit of the Americas in areas contributing toward the achievement of the negotiation of the Free Trade Area of the Americas by 2005 and enhancing labor's participation in the economic growth process.

The **goal** of the Regional Trade Policy Project is to increase Central American participation in the hemispheric economy. This will be accomplished by increasing regional preparedness for participation in free trade agreements, which is the **project purpose**. Further efforts by Central American countries toward regional economic integration will also be supported to the extent that they are oriented toward integration of the region into the hemispheric economy and increase regional readiness for free trade agreements. To achieve the project purpose, the Regional Trade Policy Project will promote the establishment of the policy framework and enforcement mechanisms required for free trade agreement accession, a reduction in internal and external tariff and non-tariff barriers and increased participation of labor in the economic growth process.

The Regional Trade Policy Project will initially focus on four major policy areas, which were selected based on an examination of the current requirements for accession to a free trade agreement, an assessment of other donor and bilateral Mission programs, and an identification of those areas for which there was a clear regional commitment to move forward. The four areas are:

- 1) increasing **intellectual property rights protection** through the establishment of a world-class policy framework and more efficient and effective policy enforcement,
- 2) **enhanced participation of labor** in the benefits of growth through the harmonization and simplification of the labor codes and engaging labor in a regional dialogue on the requirements for free trade agreement accession,
- 3) **improving the investment policy framework** through better investment dispute resolution procedures and a more transparent legal framework and registration process, and
- 4) expanding **trade liberalization** through lowering the non-tariff barriers to intra and extra-regional trade and addressing other key trade-related policy issues.

The Regional Trade Policy Project is composed of four components that reflect the four policy areas listed above. These policy components will be phased in over a period of three years.

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based upon the availability of project funding, beginning with the intellectual property rights component and followed by the project components of encouraging labor participation the investment policy framework and trade liberalization. In addition to these four focused policy areas, given the fluid nature of regional trade policy developments and the evolving nature of free trade agreement readiness criteria the project is also designed to enable quick response to emerging targets of opportunity supporting the region's preparedness to participate in free trade agreements. These targets of opportunity will be chosen based on pre-determined selection criteria, which require that the activities are related to trade policy reform, are regional in nature and are consistent with World Trade Organization norms. The identification of project activities will be done in close consultation with project partners, which include the Central American Economic Cabinets, the private sector (especially including small and micro-enterprises), the civil sector, labor groups and others to ensure that the project focus responds to their needs and concerns about entering into a free trade agreement.

The Regional Trade Policy Project will not address the regional policy framework for environmental protection, since this area is included in USAID/G-CAP's regional environmental project, PROARCA. As recommended in the Initial Environmental Examination (IEE), the environmental aspects of trade policy reform will be discussed with the Regional Environmental Advisor to develop any required mitigation measures.

Assistance under the Regional Trade Policy Project will be provided both for policy reform, and as appropriate, for effective policy implementation. Project activities will focus on regional issues affecting Central American countries and Panama. It is possible that regionally-based policy reform initiatives may include the USAID close-out country of Costa Rica, due to its strategic and political importance in Central American regional economic integration efforts, and potentially Belize. The inclusion of close-out countries in Regional Trade Policy Project activities, however, is dependent upon receiving USAID/W approval.

In addition to the four policy components, support is also provided under the Regional Trade Policy Project for project management, monitoring and evaluation. The Regional Trade Policy Project will be obligated through a HB 3 agreement signed by the Ministers of Economy and implemented through an agreement with the U.S. Patent and Trademark Office and through agreements or contracts with U.S. and regional institutions selected through an open and competitive process.

During project implementation, USAID/G-CAP will work closely with bilateral USAID Missions, USAID/W, the State Department (ARA/ECP), the United States Trade Representative (USTR), U.S. Embassies and other donors to maximize regional project impact and to coordinate with other trade policy-related national and regional activities. Continued close collaboration with the LAC Bureau of USAID/W will be required as the LAC regional Free Trade Expansion Project is developed to ensure that proposed activities are complementary. Likewise, USAID/G-CAP will continue working closely with the State Department and USTR so that project activities are focused in such a way that they are consistent with and fully supportive of the overall U.S. Government's trade policy agenda in Central America.

I Statement of Problem and Opportunity, Project Purpose and Assistance Interventions

A The Setting The Central American Economy

The Central American isthmus embraces the seven countries of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, covering a total area of nearly half a million square kilometers with a population of approximately 30 million and a combined GDP of nearly \$43 billion. More than half of the population lives in poverty. While the regional Central American economy is at present only one percent of that of the three NAFTA countries combined, GDP growth in Central America has been positive, averaging 3.8 percent annually from 1990 through 1993, notably higher than the 2.1 percent growth of the entire Latin American and Caribbean region over the same period.

The economic structures of the Central American countries are fairly similar, depending on agriculture for approximately one quarter of their GDP (with the exception of Costa Rica and Panama, with percentages of 18 and 11% respectively) and to a lesser extent on manufacturing, ranging from a low of 9% of GDP in Panama to a high of 23% in Nicaragua. Approximately 45% of agricultural activities in the region still focus on traditional products, such as coffee, bananas, sugar, cotton and meat, although there has been a dramatic increase in the export of non-traditional agricultural commodities over the past five years, including melons, snow peas, onions and other fruits and vegetables. Central American industrial activity centers around agricultural and food processing, followed by textiles and apparel. The Central American countries have relatively open economies, with the ratio of trade (exports plus imports) to GDP in 1993 ranging from a low of 35 percent in Guatemala to a high of 59 percent in Honduras. All countries are or are in the process of becoming members of the World Trade Organization, the successor institution to the General Agreement on Tariffs and Trade (GATT).

The United States is the region's main trading partner, serving as the market for approximately two-thirds of the region's exports (mainly textiles and apparel, and traditional and non-traditional agricultural products), and supplying more than 55% of the region's imports (mainly manufactured goods, machinery and transportation equipment). All countries in the region, except Costa Rica, have a trade deficit with the U.S. Intra-regional trade, composed mainly of manufactured goods, has taken on increasing importance as well, climbing from \$790 million in 1990 to more than \$1.39 billion in 1994, at an average annual growth rate of 19%. The European Union absorbs about 20 percent of the region's exports (mainly coffee and bananas) and supplies around 11 percent of the region's imports (mostly chemicals, machinery and transport equipment). Two-way trade with Japan and other industrial countries is relatively small, altogether amounting to about 10 percent of total trade.

B The Development Challenge

Central America¹ is still suffering from the devastating economic decline of the early 1980s. Overall average per capita incomes declined by about one-fourth in real terms from 1979 to 1983. Notwithstanding moderate growth over the remainder of the decade and accelerating growth reaching three to four percent in recent years, in 1994, real per capita income is still well below that attained in 1979. Moreover, an estimated 54 percent of Central Americans continue to live in relative poverty, with about 25 percent suffering from extreme poverty. Sustained and sustainable economic growth at rates above five percent annually are required to provide employment opportunities and income gains to significantly reduce poverty over the coming years.

Contributing importantly to Central America's economic slippage early last decade was its excessive reliance on an inward-looking import substitution model of regional integration, which was characterized by high effective rates of tariff protection and overvalued exchange rates. This trade regime, which had been in place since the formation of the Central American Common Market in the early 1960s, created serious economic distortions which impeded economic gains. Overvalued local currencies combined with low tariffs on capital goods artificially lowered the relative price of imported capital leading to its overuse in production and the concomitant under-utilization of labor which contributed to higher rates of unemployment and underemployment in the region. It also resulted in a distorted incentive structure which favored inefficient and uncompetitive industries, with many of their operations resulting in negative value added, and penalized the efficient production for export.

The economic drag caused by this model was exacerbated by poor macroeconomic management, state monopolies in key economic sectors, financial repression, price controls, excessive and burdensome regulations, inefficient tax regimes, poor public investment decisions, disincentives to domestic savings, a poor climate for private investment, and rigid labor markets. Furthermore, Central America's economic performance and ability to compete in world markets has been seriously constrained by inadequate and declining real investment in education and health services which is required to accelerate human capital formation, raise productivity, and increase workers' incomes. In particular, major gaps exist in the region in skilled and semi-skilled occupational areas important for new, globally competitive industries.

Central Americans are working to address these constraints to sustainable development.

¹ Central America is defined for the purposes of this project as Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Belize and the Dominican Republic have not been explicitly included in this project, due to Belize's alignment with the Caribbean countries through CARICOM and the Dominican Republic's decision not to join any sub-regional economic grouping. However, it may be necessary to incorporate one or both countries into particular project activities, depending upon their self-selection and how involved they become in regional economic integration processes.

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In many areas, their efforts are being supported and reinforced by bilateral and regional USAID programs and the activities of other donors and international financial institutions. While in several countries significant gains have been observed, current social and economic indicators demonstrate that substantial further progress is required. Moreover, such progress must be timely to prevent social unrest which could threaten some of the region's relatively new democracies.

The increased movement in recent years towards further hemispheric economic integration presents Central America with an exceptional opportunity. With the passage of the North American Free Trade Agreement (NAFTA), the declarations of the Summit of the Americas, and the signing of CONCAUSA (Central American-United States Agreement), the overall context has been set for movement towards a new era in hemispheric relationships based on mutually beneficial trade. This vision is concretely supported by the Summit of the Americas's Declaration and Plan of Action calling for specific actions toward negotiation of a hemisphere-wide free trade area, or the Free Trade Area of the Americas (FTAA) by 2005. These developments have greatly improved Central America's prospects for accelerated economic growth at levels sufficient to have a major impact upon the region's poverty levels. Greater access to hemispheric markets will increase the demand for Central America's output, resulting in expanded employment opportunities and increased incomes of the poor.

However, this movement toward hemispheric integration also presents Central America with two major challenges. First, the region must make the necessary adjustments in its trade, investment, environment and labor policy regimes in order to satisfy the eligibility requirements for participation in free trade agreements (FTAs) to gain increased access to hemispheric markets. Second, Central America must continue to improve the operational efficiency of its economy, enabling it to compete in outside markets once greater access is achieved. A key part, therefore, of the development challenge for Central America is to 1) improve its trade, investment, and labor policy framework to achieve the eligibility requirements for hemispheric FTAs and thus gain permanent and effective access to outside markets, and 2) to enhance its ability to compete in those markets, enabling the region to substantially expand its output and increase employment and incomes.

C Constraints to Increased Central American Participation in the Hemispheric Economy

Notwithstanding recent gains in some areas, trade policy constraints, combined with strong opposition to trade policy reform efforts from certain sectors of the economy, continue to impede trade expansion outside the region and thereby depress economic growth rates required to reduce poverty. In particular, the region's tariff reduction process, after making dramatic progress in the early 1990s, has stalled, with three countries recently making

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individual decisions to modify their external tariffs² This is in large part due to strong opposition from highly protected economic sectors reluctant to face outside competition Although the Central American presidents and Ministers of Economy have expressed their commitment to trade liberalization, their efforts are sporadically thwarted or delayed due to such opposition Moreover, although a large number of Central American public and private sector leaders publicly support free trade, many do so without a sound understanding of just what is required to qualify for access to free trade agreements and what is needed to be able to compete

Probably more restrictive to Central America's trade potential both within and outside of the region are non-tariff barriers (NTBs) In particular, formal non-tariff barriers such as zoosanitary, phytosanitary and sanitary requirements, technical product standards, source and origin rules, and licensing and permit requirements are problematic since they are often arbitrarily imposed in response to a perceived unfair trading practice (such as dumping) or are inefficiently administered Other "informal" non-tariff barriers, such as onerous trade documentation requirements, corrupt and inefficient customs administration/valuation procedures, and changeable border crossing procedures, also restrict trade expansion in the region

Expansion of Central American trade in hemispheric and global markets to the extent required to achieve sustained high rates of economic growth and to reduce poverty depends upon increases in national, regional and foreign private investment to stimulate private sector development Since increased private sector development will lead to an increased number of businesses and therefore a greater demand for labor, if new investment can be attracted to the region, in the medium term wages will increase and regional poverty levels will be reduced Greater investment in the region, however, is constrained by problems with the region's investment policy framework, cumbersome investment registration processes and unclear dispute resolution procedures, among other factors

Another area of importance relates to inadequate protection of intellectual property rights (IPR), which discourages investment in certain areas prone to patent, copyright and trademark infringements Deficient IPR protection constrains the free flow of new technology and know-how required for sustainable development, and increases the risk to consumers from the dangers of counterfeit products such as medicines, processed foods, and vehicle parts

One of the major constraints to improved equity in the region is the inadequate

² El Salvador has just initiated a new program to gradually lower nominal tariff rates to six percent over four years Guatemala temporarily compressed its tariff structure from the 5-20 percent Central American external tariff range to a 10 percent uniform tariff, and then returned to the 5-20 range Costa Rica has raised its external tariff rates by 8 percent, changing its external tariff band to 13-28 percent

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participation of the labor sector in the economic growth process. Effective participation is constrained by overly complex and unenforceable labor codes that do not provide protection of internationally recognized worker rights and by lack of knowledge of the changes required in the productive process to participate more fully in the world economy. Although labor codes in several Central American countries have been improved recently to incorporate basic rights of workers, including the right to organize, the right to bargain collectively, the right to obtain the minimum wage, and prohibitions against forced and child labor, enforcement remains seriously lacking.

The policy deficiencies described above seriously limit Central America's external competitiveness and thereby restrain its ability to take advantage of increased access to outside markets. Probably just as important, at least over the medium term, such deficiencies also impede Central America's ability to qualify for expanded access to these new regional markets. The negotiation and implementation of free trade agreements with external trading partners will require that the nations of the region guarantee adequate protection for foreign investment, intellectual property rights, and internationally-recognized workers rights. Also, as Central American nations enter into FTAs, they will be required to dismantle existing tariff and non-tariff trade barriers with FTA members, and from an economic perspective, as Central American countries join FTAs, in order to prevent inefficient trade diversion from the rest of the world to FTA members, further trade liberalization will be required to lower the common external tariff applicable to external goods from non-FTA members.

D. Current Policy Framework

The improvements required in Central America's current policy framework, in order to achieve both the eligibility and the ability to compete in expanded hemispheric markets, closely follow many of the policy reforms required by NAFTA as well as those promoted by the Summit of the Americas process. To reach the FTAA goal by 2005, the Summit Plan of Action outlines specific trade policy reforms that are prerequisites to freer trade in the Western Hemisphere. These include 1) the reduction of tariff and non-tariff barriers to trade, 2) the protection of investment and intellectual property rights, 3) full and rapid implementation of the Uruguay Round of the GATT, 4) promotion of internationally recognized workers rights, 5) promotion of environmentally-sustainable trade and 6) support for GATT-consistent, trade-creating, sub-regional economic integration.

Central America has demonstrated its interest in and commitment to becoming part of the Free Trade Area of the Americas not only through signing the declarations of the Summit of the Americas and proposing and securing the approval of CONCAUSA (which emphasizes that trade promotion is an integral part of sustainable development), but also through declarations made in Central American presidential summits, in which they have reaffirmed their intention to negotiate future free trade agreements as a block and to support outward-oriented regional economic integration.

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Besides publicly declaring their interest in and commitment to free trade, the Central American governments have made noted progress in recent years toward improving their trade regimes within the context of overall economic reform programs. Beginning in the mid-1980s, countries in Central America began to implement economic policies designed to liberalize the economy, including tariff reductions, elimination of controls on prices and interest rates, establishment of freer exchange rate regimes, tax reforms, more responsible fiscal and monetary policies, and privatization of state-owned assets in certain key sectors. (A detailed description of the region's trade liberalization efforts is found in Annex I.)

Given the region's increased interest in and publicly stated commitment to participating in hemispheric FTAs, and its improved economic policy performance over recent years, Central America appears to be correctly positioned to take full advantage of the opportunities of expanding hemispheric markets. However, these opportunities will be missed unless the region's trade, investment, and labor policies are further upgraded to enable Central America to first qualify for expanded access to outside markets, and then to compete in those markets.

E. Project Goal and Purpose

The **goal** of the Regional Trade Policy project is to increase Central American participation in the hemispheric economy. This will be accomplished by increasing regional preparedness for participation in free trade agreements, which is the **project purpose**. Further efforts by Central American countries toward regional economic integration will also be supported to the extent that they are oriented toward integration of the region into the hemispheric economy and increase regional readiness for participation in free trade agreements.

The Regional Trade Policy Project is designed to promote sustainable growth with equity in the region by supporting Central America's efforts to accelerate its integration into hemispheric and global markets. The project will support activities which both 1) contribute to the achievement of the eligibility requirements for participation in FTAs resulting in expanded access to outside markets, and 2) enhance the region's external competitiveness to permit it to take advantage of that expanded access.

F. Project Components

The Regional Trade Policy Project is made up of four inter-related components focused on policy reform and policy implementation. In consultation with the bilateral USAIDs and embassies, other US Government agencies, the Central American Ministers of Economy, Economic Cabinet members, and other development partners, the Mission has identified four initial policy areas of focus, which are critical for preparing the region for participation in free trade agreements, are serious constraints to future growth, are not being adequately addressed through other mechanisms and are appropriately addressed at a regional level.

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These four policy areas make up the four substantive project components of the Regional Trade Policy Project. They are 1) protection of intellectual property rights, 2) enhanced participation of labor in the benefits of growth, 3) improvement in the investment policy framework and 4) trade policy liberalization. In addition to these specific areas of focus, funds are also provided under the trade liberalization component to allow quick response to emerging targets of opportunity supporting the region's preparedness to participate in free trade agreements, given the fluid nature of regional trade policy developments and the evolving nature of free trade agreement readiness criteria.

A fifth area of great importance for sustainable economic growth and preparation for participation in free trade agreements is the regional policy framework for environmental protection. This area is being addressed through USAID/G-CAP's regional environmental project (PROARCA) which specifically entails the implementation of environmental agreements established in the CONCAUSA accord.

In addition to the four Regional Trade Policy Project components, funds are also included for monitoring, evaluation and project management. Following is a description of each component of the Regional Trade Policy Project.

Component 1 Protection of Intellectual Property Rights

The adequate protection of intellectual property rights is critical for effective participation in FTAs, both from the perspective of satisfying eligibility requirements to enter FTAs and in order to enhance the region's ability to compete in new markets opened by FTAs. Demonstrating its importance, a chapter in NAFTA is dedicated to intellectual property rights and the Uruguay Round of the GATT also includes a section relating to Trade-Related Aspects of Intellectual Property (TRIPS). In addition to being a key stepping stone to enter into a free trade agreement, more effective protection of intellectual property rights also will enhance the development of local industry, contributing to sustained economic growth in the region. Recognizing its importance to regional economic development, in November of 1994 four of the six Central American countries approved a new Central American Convention on Trademarks, which provides world-class trademark protection, and initial discussions are being held on the necessity of drafting Central American conventions on patents and copyrights as well.

A USAID/G-CAP assessment done during 1994/1995 (a summary of which is in Annex F) demonstrated that the degree of intellectual property rights protection varies widely among the Central American countries. A common factor, however, is that all countries require improvements in their legislative framework and in their enforcement capacity in order to meet world-class intellectual property rights protection standards, as established by NAFTA and TRIPS. This project component, therefore, will focus on policy reform activities, building consensus for change and policy implementation and enforcement.

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Policy reform activities under this project component will focus on drafting model Central American conventions covering patent and copyright protection (a Central American Convention on Trademarks already exists), and doing targeted analyses and providing technical assistance where required to determine the areas where legislation needs to be modified to meet international standards. When requested, the project will provide targeted technical assistance at the national level to explain required policy changes and provide comparative analyses of national legislation with proposed model regional legislation, such as the Central American Convention on trademarks and the proposed Central American Conventions on patents and copyrights.

In addition to providing assistance in drafting legislation, project activities under this component will also include the provision of expert technical assistance and focused workshops to **build regional and sub-regional consensus** on the required policy changes, since an obstacle to intellectual property rights reform in the past has often been misunderstanding of its objectives and of its potential impact. Dissemination of critical information through national or regional workshops and distribution of intellectual property rights (IPR) analyses or periodic bulletins to key regional public and private sector actors will play an important role in building this consensus.

Activities under this component will focus not only on promoting legislative reform at the regional level and building consensus for change, but also on **improving the application of the laws** through upgrading enforcement capacity in the region, to the extent this can be done within the constraints of Section 660 of the Foreign Assistance Act. With some notable exceptions, capacity to enforce existing or new intellectual property rights legislation at the national level is weak. Industrial property registries tend to be under-funded and understaffed, lacking the equipment, physical space and technical capacity to effectively review new patent and trademark applications and to track prior applications.

Although institutional support for national registries is beyond the scope of this project, there are certain initiatives that can be supported on a regional basis to improve overall enforcement capacity. These include analyzing the feasibility of establishing a regional trademark registry (based on the new Central American Convention on Trademarks), providing technical training to registry staff from more than one country to upgrade their skills and improve their effectiveness, and developing standardized fees and procedures in the region for the registration of patents, trademarks and, where applicable, copyrights.

Activities supporting policy implementation will only proceed after the requisite policy reforms have been completed. In the case of trademarks, for example, once the four countries that have approved the Central American Convention on Trademarks ratify it in their legislatures, work can begin with their registries on the implementation of this Convention.

Component 2 Enhancing Labor Participation

The protection of internationally-recognized workers rights in the region, which is a requirement for participation in a free trade agreement, is dependent upon sound national legislative frameworks combined with effective enforcement and knowledge of the law. Several of the countries in the region have been subject to a review under the Generalized System of Preferences (GSP) for alleged violations of internationally-recognized workers rights, defined as the right of association the right to organize and bargain collectively, prohibition of forced or compulsory labor, minimum age for the employment of children and acceptable conditions of work.

In addition to concerns about the protection of workers rights in the region, which have threatened the withdrawal of trade preferences, there has also been concern over whether or not labor receives its fair share of the benefits of trade-based regional economic growth. Achieving major gains in the income levels of Central America's poor is crucial not only for sustainable development but also for the reduction of poverty and social instability in the region. Mexico's experience with the social unrest in the Chiapas region, which was explicitly linked initially to concerns about the effects of NAFTA on the poor, make it especially critical to assure that the benefits from free trade are distributed as equitably as possible. As Central America improves its internal economic efficiency and thereby enhances its ability to compete in extra-regional markets, expanded regional output will increase the demand for the productive use of labor, resulting in greater employment and higher income levels for the region's poor.

Although certain labor issues are more effectively addressed at the national level, Regional Trade Policy Project activities under this component will work on those issues for which there is a comparative regional advantage and which specifically relate to establishing a harmonized and simplified legal framework for labor in the region and increasing the participation of labor in readying the region for greater integration into the hemispheric economy. A summary of the status of labor issues in each country is included in Annex G.

Project activities related to **harmonizing and simplifying key areas of the labor code** will be based upon a study that is currently being conducted at the request of the Ministers of Labor of Central America, Belize and the Dominican Republic³. This initial comparative analysis, which will examine labor codes and enforcement capacity in the region compared to international standards and the NAFTA side-agreement, was requested by the Ministers for two reasons. First, they were concerned that the region was not ready to fulfill either the legislative or enforcement requirements for labor that had been included in free trade agreements, such

³ The Dominican Republic and Belize are included in the initial baseline study because both Ministers of Labor are members of the Conference of Labor Ministers which requested this study.

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as NAFTA. Since they saw entering into a free trade agreement as a desirable goal for labor stability and economic growth in the region, they wanted an analysis that could help them identify regional weaknesses in terms of both legislation and enforcement capacity. Second, they were concerned that differences in the labor codes among countries, especially as they related to free trade zones, were contributing to "country-hopping" in the region by regional and foreign investors, leading to employment instability and a search for the lowest protection of workers rights.

This analysis will serve two functions, providing the basis for future project activities related to labor code harmonization and simplification and serving as an initial plan of action for labor ministries in improving organizational structure, operational efficiency and enforcement of the labor code. Concurrently, regional labor organizations are conducting their own analysis of national labor codes (with support from the American Institute for Free Labor Development (AIFLD)) to develop recommendations on areas of the codes that could be harmonized and simplified. Both analyses will be disseminated widely in the region to encourage dialogue and consensus-building among the different sectors.

Regional Trade Policy Project activities related to labor code harmonization and simplification will include regional workshops to encourage discussion among labor, government and the private sector of the baseline labor code and enforcement analysis as well as other consensus building activities designed to lead to a regional proposal of areas of national labor codes that could be harmonized and simplified. It is important to note that the goal of these activities is not labor code standardization, since the Ministers recognize that is impossible given different political and economic circumstances in each country, but to harmonize and simplify codes to improve labor mobility, facilitate labor code compliance and enforcement and ensure adequate protection of workers rights in all countries in the region.⁴

Specific areas of the codes that could be harmonized and simplified will be determined through the baseline analyses currently being conducted, but could include establishing a legal environment in which unions can operate effectively by making union registration procedures easier and more similar across the region and establishing similar rules regarding the dismissal of workers. Areas for harmonization would tend to focus on internationally-recognized workers rights, such as the right of free association, the right to collective bargaining and prohibitions against discrimination and forced labor, and not include labor norms, such as wages, benefits and hours, which are best determined at the national level in accordance with

⁴ There is a subtle but important distinction between the concepts of harmonization and standardization as they relate to the labor codes. Harmonization would allow, for example, the establishment of a regional minimum, with each country free to use the minimum requirement or to exceed it, while standardization would require exactly the same regulations.

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the country's level of development

Although specific proposals for changes in national legislation will need to be done at the national level, the Regional Trade Policy Project could also support additional technical analyses as required to explore the effects of changing certain parts of national labor codes on regional economic growth and competitiveness

Enhancing labor's participation in the regional economy will be achieved by enabling labor to be a fuller participant in dialogue on regional issues through regional workshops and national seminars to discuss the relationship between increased trade and better wages, labor reallocation, levels of competitiveness and productivity required to succeed in the hemispheric marketplace, internationally recognized workers rights and their relationship to trade preferences, and models of labor-management cooperation that contribute to both increased productivity and wages. Depending on the topics that are covered, workshops could be designed for separate groups of labor and management or for a mixed group. The goal of the seminars would be to increase regional understanding of these issues across sectors and encourage an open dialogue.

In encouraging greater regional dialogue on labor issues among labor, the private sector and government, USAID will work closely with the Interamerican Development Bank and its Multilateral Investment Fund, which has begun supporting regional labor-management conferences to foster increased inter-sectoral cooperation.

Component 3 Investment Policy Framework

A prerequisite for entering into a free trade agreement and for attracting sufficient investment to assure sustained economic growth is an adequate investment policy framework. Central American countries vary widely in the way investment is treated, with some countries having an investment code and others not. Despite the fact that some countries have acceded to international conventions governing investment dispute resolution, all lack an adequate and functioning investment dispute resolution system. Many countries are also plagued by problems in the investor registration process where it can take as long as a year to register a foreign investment compared to a few weeks for a national investor, and in the facilitation of the extension of work permits and visas to foreigners. A matrix showing the current status of Central American countries' investment policy framework is provided in Annex H.

One of the first activities under this component of the Regional Trade Policy Project will be a **baseline study of the investment policy framework** in each country, covering five major areas. The study will analyze the extent to which each country has either through legislation or in practice 1) afforded national or most favored nation treatment to all investors, 2) established an adequate investor dispute resolution system, 3) eliminated performance requirements, 4) allowed investment related transfers of profits, capital, royalties and fees, and

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5) put in place international law standards for expropriation which provide for prompt, adequate and effective compensation. As in the case of the labor code analysis, this study will not only identify regional weaknesses in legislation and enforcement in the investment policy framework, but illustrate where differences can be reduced to provide more uniform protection region-wide (and discourage "country-hopping")

The results of this baseline study will then be used to determine the most effective and necessary project interventions. For example, the study would identify whether a regional model investment code was required, if changes in investment registration were needed to eliminate barriers to increased national and foreign investment, or whether further assistance was required in developing regional arbitration and investment dispute resolution mechanisms. In general, project activities under this component will focus on technical assistance for policy reform and changes in regulatory procedures at the regional level that lead to improvements in the investment policy framework.

Component 4 Trade Liberalization

One of the most essential requirements for participation in a free trade agreement is a reduction in tariff and non-tariff barriers. Up until recently, with a few exceptions, Central America had a uniform external tariff of 5-20%. Recent changes by El Salvador, Costa Rica and Guatemala have modified this range, with El Salvador lowering the floor of the tariff band to 1% for capital goods while Costa Rica "temporarily" increased external tariffs to 13-28% in late March 1995. Trade within the region is generally free and not subject to tariffs, with the exception of certain sensitive products, such as coffee, sugar, petroleum products, alcoholic beverages, tobacco and wheat flour.

Formal non-tariff barriers, however, such as zoosanitary, phytosanitary and sanitary requirements, technical product standards, source and origin rules, and licensing and permit requirements, are problematic since they are often arbitrarily imposed in response to a perceived unfair trading practice, such as dumping or are inefficiently administered. Although some countries have adopted GATT-consistent safeguards and countervailing duties legislation, the application of this legislation is often complicated by lack of technical expertise in determining if unfair trading practices have occurred and how these procedures can be used.

There are other "informal" non-tariff barriers, such as onerous trade documentation requirements, corrupt and inefficient customs administration and valuation procedures, and unclear or changeable border crossing procedures, that also restrict trade expansion. Some of these issues are already being addressed in some countries at the national level, either with USAID or other donor funds. Others, such as border crossing procedures, are being addressed in regional fora. A summary of trade liberalization efforts by country is attached in Annex I.

The Regional Trade Policy Project will focus on activities for which there is broad

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regional or sub-regional support for policy change. Given the serious constraints to both intra and extra-regional trade posed by non-tariff barriers, project interventions will tend to focus on critical non-tariff barriers and will emphasize making regional legislation consistent with GATT standards. This component will include funding as well to address other key regional targets of opportunity supporting trade-policy reforms. Many of the areas to be included under the trade liberalization component will need to be identified as the region develops a consensus on priority areas of common action and as the readiness criteria for entering into the FTAA are clarified. Activities to be funded under this component will meet the following criteria:

- 1) they will have a clear regional or sub-regional focus,
- 2) they will be focused on trade-related policy reforms which contribute to the region's readiness to participate in free trade agreements, and
- 3) they will promote GATT-consistent reforms

Examples of activities which could be funded under this component are providing expert technical assistance to establish uniform regional phytosanitary requirements, to improve customs valuation procedures or to develop uniform trade documentation for both exports and imports. Other useful analyses, such as the impact on the regional economy of lowering the external tariff band or conducting a regional study of non-tariff barriers as compared to what is permitted under GATT, may also be included. Also, activities contributing to the completion of immediate action agenda items resulting from the upcoming Trade Ministerial meeting in June could be considered under this component.

G Relationship to Strategic Objective

The goal of the Regional Trade Policy Project is identical to the Mission's strategic objective, which is to increase Central American participation in the hemispheric economy. The Regional Trade Policy Project will be the main mechanism for reaching this strategic objective, with support from the regional environmental project, PROARCA. PROARCA will contribute to achievement of the strategic objective through support for harmonizing and upgrading environmental legislation to meet the standards required for participation in a free trade agreement.

A summary of the strategic objective, program outputs, strategic objective indicators and projects contributing to the strategic objective is shown in Table 1. The strategic objective framework is discussed in greater detail in Section III of the project paper, Definition of Success.

TABLE 1

Strategic Objective (Project Goal)

Increased Central American Participation in the Hemispheric Economy

Performance Indicators (*Project Goal Indicators*)

- Increase in Central American exports to the Western Hemisphere as a percentage of GDP from 15.7% in 1993 to 18.5% in 2000
- Increase in composite score on readiness indicators (developed by the Institute for International Economics) from 2.7 in 1992 to 3.4 in 2000

Program Outputs (*Project Purpose*)

Increase regional preparedness for participation in free trade agreements

Trade Policy Framework Consistent with Requirements for Free Trade Agreement Accession	Market-oriented Policies Supportive of Freer Intra-regional Trade	Policy and Institutional Framework that Facilitates Greater Labor Participation in the Benefits of Growth
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Program Output Indicators (*Project EOPS*)

- increase in number of countries that have negotiated and implemented bilateral investment treaties with the U.S. from 0 in 1993 to 6 in 2000
- increase in number of countries that have negotiated and implemented a bilateral intellectual property rights treaty with the U.S. from 0 in 1994 to 6 in 2000
- increase in percentage of harmonization of environmental legislation in key areas from 0% in 1995 to 100% in 2000
- increase in intra-regional trade as a percentage of GDP from 3.3% in 1993 to 4.0% in 2000
- reduction in number of product categories not eligible for intra-regional trade from 11 in 1993 to 8 in 2000
- increase in percent of harmonization of labor codes in the region from 0% in 1993 to 100% in 2000

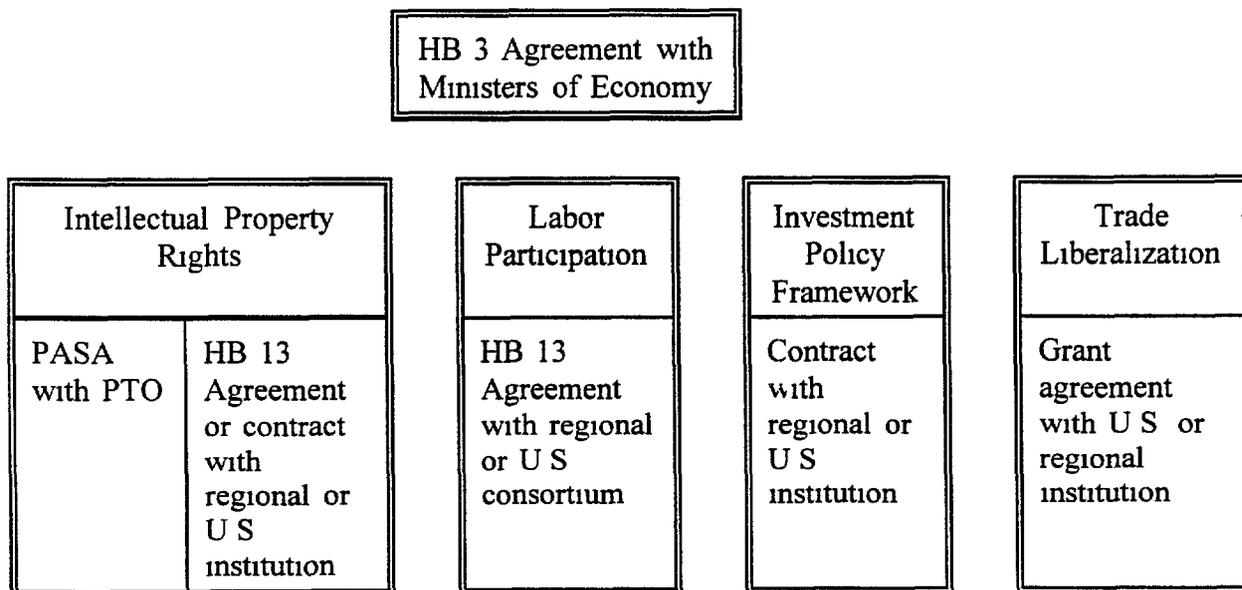
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II Plan of Action

The Regional Trade Policy Project is a \$5 245 million five year project that will be implemented by a range of public and private sector institutions. All project funds will be obligated through a HB 3 agreement with the Ministers of Economy of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. It is expected that all of the Ministers will sign the agreement. To facilitate project implementation, the Ministers will designate one representative who will serve as the liaison with the Mission on routine administrative and technical project issues. At least semi-annual meetings will be held with the Vice-Ministers of Economy to monitor project progress and ratify the project's strategic focus.

Project components will be phased in as funding becomes available, beginning with the intellectual property rights component, and followed by the labor participation, investment policy framework and trade liberalization components. Project activities will be implemented through a PASA with the Patent and Trademark Office, a contract for a regional economist and other agreements and contracts awarded through an open and competitive process. The PASA will support the implementation of part of the intellectual property rights component, with the award of contracts or grants to U S or regional institutions with expertise in the various policy areas will support the implementation of the remainder of the project. A regional economist will provide technical support to all policy components.

The chart below outlines the project structure



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Following is a description for each project component of how the activities will be implemented, the role of the implementing institutions and the role of USAID (USAID/G-CAP, bilateral Missions and USAID/W)

A Protection of Intellectual Property Rights Component

The protection of intellectual property rights project component will be implemented through a PASA with the Patents and Trademarks Office of the Department of Commerce and a HB 13 agreement or contract that will be competitively awarded to a qualified U S or regional institution

The PASA with the Patents and Trademarks Office (PTO) will build upon the work begun by the PTO in the region in 1994 and 1995, during which they conducted an initial assessment of the patent and trademark enforcement capacity in the region and collaborated on national intellectual property rights seminars throughout the region. The Patent and Trademark Office has recognized experts in patent and trademark legislation standards and practical experience of applying legislation as well. They also have provided technical assistance and training to Mexico as part of the NAFTA to upgrade their capacity to protect intellectual property rights.

Given the mandate of the PTO to work with USAID to improve intellectual property rights protection throughout the developing world, assigned in the Jobs Through Trade Expansion Act of 1994, the PTO is ideally suited to assist the region in upgrading the protection of industrial property. Through their links to U S copyright associations, they will also be able to provide expert technical assistance and training in this area as well.

In order to draft new model regional agreements on patents and copyrights and provide targeted technical assistance related to legislative reform, a HB 13 agreement or contract will be awarded to a qualified regional or U S institution with extensive experience in intellectual property rights (IPR) legislation and knowledge of the regional legislative framework. The agreement or contract will be awarded on the basis of an open and competitive process, managed by USAID/G-CAP.

USAID/G-CAP will provide technical guidance to the PTO and to the grantee or contractor, and will monitor the activities under this component to ensure that the results are being reached. If the results are not being achieved, USAID/G-CAP will work with the PTO and the contractor or grantee to alter the methodology being used and reorient project activities.

Other USAID Missions in the region will provide technical advice to USAID/G-CAP in planning project activities that involve participation from the countries they are working in and will be consulted prior to beginning any activity involving participants from that country. Based on such consultations, bilateral Embassies will also be kept informed of IPR activities.

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since they generally play a key role in monitoring host country compliance with international IPR standards

Due to the interest in IPR issues USAID/W and the Department of State (ARA/ECP) will be kept informed of project activities and specifically of results being achieved to improve regional intellectual property rights protection. As necessary, USAID/G-CAP through USAID/W will keep the United States Trade Representative's Office (USTR) informed of regional intellectual property rights project activities, since USTR is the lead institution for the negotiation of free trade agreements and is directly involved in the negotiation of bilateral intellectual property rights treaties.

B Enhancing Participation of Labor Component

The labor participation component will be implemented through a HB 13 agreement that is openly competed and competitively awarded by USAID/G-CAP. Because the activities under this component will involve both expert technical assistance as well as consensus building through workshops and seminars, it is likely that this agreement will involve a consortium of institutions, such as a regional institution to coordinate the workshops and a technically-based U.S. or regional institution with expertise in labor codes and internationally recognized workers rights. This consortium would ideally involve the private and labor sectors, to assure maximum representation of and access to key players.

Since the development of activities under this component will require careful management and an ability to assess which approaches would be most successful, based on knowledge of the region and the needs of the various sectors involved, the institution or institutions that implement this component will need to have significant experience in labor issues and a sound knowledge of the region. Because the activities will need to be adjusted based on changing political circumstances, the grant will be designed to focus on the achievement of results that can be periodically monitored, rather than the provision of a certain quantity of seminars or person-months of technical assistance.

USAID/G-CAP will provide technical supervision for project activities and monitor results, but will not play a high profile role under this component due to its sensitive nature. For recommendations emanating from project activities to be taken into account by regional leaders or for activities promoting regional dialogue to have an impact, this component will have to be seen as directly responding to regional needs as identified by the various sectors in the region and not as solely responding to U.S. foreign policy interests.

As in the case of the intellectual property rights component, bilateral USAID Missions and Embassies will be consulted and informed of project activities and of results, particularly as they relate to host country institutions.

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USAID/W will be kept informed of project activities, and will provide periodic support to the Mission through the Global Bureau Democracy Center to keep the Mission updated of innovative approaches being tried in other parts of the world and of successful activities elsewhere that could be used as a model. Since USAID support for labor code harmonization and increasing labor's participation in regional policy dialogue is a relatively new activity the Global Bureau will be relied upon for current information not only relating to other USAID activities but also of donors or practitioners in other parts of the world.

C Improvement of the Investment Policy Framework Component

This component will be implemented through a competitively awarded contract with a U.S. or regional institution with expertise in improvement of the investment policy framework. The contractor will conduct an initial baseline analysis and then use that analysis with USAID/G-CAP to identify and implement follow-on activities.

USAID/G-CAP will provide technical supervision of project activities and monitor project results. Based on the initial baseline analysis, USAID/G-CAP will determine how follow-on assistance should be targeted and implemented, in close consultation with bilateral USAID Missions and the Ministries of Economy. Bilateral Missions and U.S. Embassies will be consulted about the development of project activities and kept informed of their results, since many Missions are working or have worked on investment policy framework issues and Embassies track and promote changes in the investment policy framework.

USAID/W will be kept informed of project activities and will let USTR know of the results of project activities, since project activities may have a direct result on improving a country's preparedness for the negotiation of a bilateral investment treaty with USTR.

D Trade Liberalization Component

The trade liberalization component will be implemented through a grant with a regional or U.S. institution selected through an open and competitive process. Since activities under this component will respond to targets of opportunity as they present themselves, the institution that is selected to implement this component must have the capacity to rapidly access expertise in a wide range of fields, such as phytosanitary requirements, rules of origin, safeguards, countervailing duties, and trade documentation. The institution also must have extensive familiarity with trade rules as defined in the Uruguay Round of the GATT.

Although activities under this component will focus mainly on technical assistance, a limited amount of training may also be provided to familiarize key actors in the region (mainly trade negotiators and technical staff) with GATT and NAFTA standards on safeguards, countervailing duties, rules of origin and related trade measures. The institution selected to provide the technical assistance will also have the capacity to organize and provide high-level

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training courses to small audiences

USAID/G-CAP will work with the Ministries of Economy and the bilateral USAID Missions to identify areas of focus and will provide technical guidance to the grantee. USAID/G-CAP will ensure the provision of high quality technical assistance and assist in the dissemination of the results of project research to bilateral USAID Missions and other institutions as appropriate. USAID/G-CAP will keep USAID/W informed of project activities.

E Support from a Regional Economist

To support implementation of all four policy components, USAID/G-CAP will recruit a regional economist. The regional economist will be selected through an open and competitive process and will support the implementation of the Regional Trade Policy Project through the production of trade policy analyses and the establishment of an in-house trade data monitoring system.

III Definition of Success

The Regional Trade Policy Project will be the major mechanism for reaching the Mission's strategic objective of Increased Central American Participation in the Hemispheric Economy. The project will contribute to, but not be solely responsible for, achievement of the Mission's strategic objective, since bilateral USAID programs, other donor initiatives and efforts of the individual countries themselves will have a major impact on and contribute to increasing the participation of the region in the hemispheric economy. Project impact as described below is dependent upon implementation of all four project policy components. If funding reductions make it impossible to fully obligate the Regional Trade Policy Project, the projected impact and results will need to be adjusted accordingly.

The degree of the region's participation in the hemispheric economy at the strategic objective level will be measured by two indicators: Central American exports to the Western Hemisphere as a percentage of GDP and a composite score on free trade agreement readiness indicators. Based on projections of 1% annual growth in Central American trade with the Western Hemisphere as a percentage of GDP, by the end of the project in 2000, the percentage should have increased to 18%, from a baseline of 15.7% in 1993.

Since trade data alone is insufficient to show the degree of participation in the hemispheric economy, a second indicator related to Central America's readiness to participate in free trade agreements will also be monitored at the strategic objective level. This indicator is based on a methodology developed by the Institute for International Economics. The score is based on a scale of 0 to 5, with 5 being the most ready for participation in a free trade agreement, and is a composite of objective and subjective scores on seven factors: 1) price stability, 2) budget

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discipline 3) external debt, 4) currency stability, 5) market-oriented policies, 6) reliance on trade taxes and 7) functioning democracy

By the end of the project, Central America's average score should have risen to 3.4, from a score of 2.7 in 1992. Although Regional Trade Policy Project activities will contribute to the achievement of this indicator, project activities will not be solely responsible, since it is estimated that they will only directly contribute to better scores in two of the seven areas (market-oriented policies and reliance on trade taxes). As a point of reference, in 1992, the U.S. received a score of 4.7, while Mexico received a score of 3.9.

A. Intended Results

At the program output level, by 2000 the Regional Trade Policy Project will have directly contributed to 1) the existence of a trade policy framework consistent with that required for free trade agreement accession, 2) development of market-oriented policies supportive of freer intra-regional trade, and 3) promotion of an improved policy and institutional framework for labor.

1 Trade Policy Framework Consistent with Requirements for Free Trade Agreement Accession

By the end of the Regional Trade Policy Project in 2000, the region will have a trade policy framework that is more consistent with that required for free trade agreement accession. This will be demonstrated by the ratification and implementation of Central American Conventions on Trademarks, Copyrights and Patents providing world-class protection to intellectual property rights. More countries in the region will have ratified the Paris and Bern Conventions, and all will have entered into a bilateral intellectual property rights treaty or its equivalent with the U.S. Enforcement of intellectual property rights protection will have been improved either through the creation of a regional industrial property registry or through gains in efficiency in national registries.

In addition, all six Central American countries will provide national or most-favored nation treatment for foreign investors and will have an investment dispute resolution mechanism in place to facilitate the arbitration of investment disputes. Clear rules will exist for the registration of new investment and the procedures will have been simplified and harmonized across the region. Non-tariff barriers will have been reduced and regional standards consistent with GATT will be in place to cover a number of trade measures, such as phytosanitary standards, trade documentation, countervailing duties, and rules of origin. External tariff barriers will also have been reduced, if not unified into a single tariff.

Although the Regional Trade Policy Project will not directly address environmental issues, it is important to note that another regional project, PROARCA, will work closely with

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the Regional Trade Policy Project, on the upward harmonization of environmental legislation consistent with requirements for free trade agreement accession

The indicators for measuring progress in preparing for participation in free trade agreements are the number of countries that have negotiated and implemented bilateral intellectual property rights and investment treaties with the U S. These indicators are used as proxies for upward harmonization of investment and IPR protection since they include the standards used in NAFTA and are complementary to GATT requirements. Another indicator to measure preparedness, which will be monitored under the PROARCA project, will be the extent to which environmental legislation in the region has been upgraded and harmonized in key areas.

2 Development of Market Oriented Policies supportive of Freer Intra-regional Trade

Nearly all of the expected results listed above that are related to preparation for participation in free trade agreements will also measure the extent to which there is freer intra-regional trade as well. Once regional standards are established in the areas of IPR, investment, trade liberalization and the environment, both extra and intra-regional trade will be facilitated. Increased trade in the region, therefore, will be an added result of increased regional preparation for participation in free trade agreements and will strengthen the region as an economic unit.

Two indicators have been established to measure the extent to which there is freer intra-regional trade. The first measures intra-regional trade as a percentage of GDP. This is expected to increase from 3.3% in 1993 to 4.0% in 2000, at an annual growth rate of 1%. The second indicator measures the number of product categories which are not freely traded in the region and are subject to tariffs or licensing requirements, either within the entire region or between pairs of countries. This number is expected to be reduced from 11 categories in 1993 to only 8 categories in 2000.

3 Improved Policy and Institutional Framework that Facilitates Greater Labor Participation in the Benefits of Growth

By 2000, the Regional Trade Policy Project will have increased labor's participation in regional policy dialogue, helped establish a framework for improved protection of internationally recognized workers rights, facilitated the mobility of labor, simplified and harmonized labor codes in the region and supported a more equitable division of the benefits of growth.

To measure progress in this area, an indicator has been established to measure the degree to which labor codes in the region are upwardly harmonized. By 2000, it is expected

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that the labor codes in all Central American countries will have been harmonized in key areas. The baseline study currently being conducted of Central American labor codes and the capacity of the Ministries of Labor to enforce the code will identify key areas where national labor codes should be harmonized and strengthened. These areas, once they have been discussed with the Labor Ministers and agreed to, will then be used for monitoring the achievement of the strategic objective.

Other indicators, such as wage rates, employment, and per capita income will also be tracked outside of the strategic objective framework to provide a more complete picture of the impact of project activities on the region.

B. Incorporation of M&E Results into Project Activities

Due to the nature of Regional Trade Policy Project activities and USAID/G-CAP experience with similar type projects, constant monitoring of project activities will be required to ensure efficient use of resources and concrete measurable project results. To facilitate this process, the Mission will establish annual action plans for each project component, in conjunction with project counterparts and beneficiaries, as well as a detailed results framework, to ensure that implementing institutions are held accountable for project results and not just project inputs. At least semi-annual meetings with the Vice-Ministers of Economy, who will act as the informal project steering committee, as well as periodic meetings with other sectors with an interest in the project, will serve as a reality check on project results and expectations.

If the actual project results differ from those expected, the Mission will work with project counterparts to determine the reasons for this variation and take the appropriate corrective action. If one project component is performing better than the others, and the Mission determines that progress on other project components is not likely in the short term due to factors outside of the Mission's control, additional funds could be programmed to support the component that is performing well.

IV Analysis of Feasibility, Key Assumptions, and Related Risks

A. Key Project Issues

The main issues examined during the design of the Regional Trade Policy Project were project focus, project feasibility, the need for a regional project, effect of reduced funding on achievable results, implementing mechanisms, participation of stakeholders in project design, inclusion of equity considerations, project activities in close-out countries and coordination with other donors and bilateral Mission activities. Following is an explanation of each issue and the steps that were taken to resolve it.

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1 Project Focus

Mission evaluations showed that past regional projects related to economic growth tended to lack focus. The lack of focus combined with a proclivity to support studies made it difficult to measure concrete project results beyond the project output level. To avoid falling into this trap, the Regional Trade Policy Project was defined by a narrow project purpose statement to increase the region's preparedness to participate in free trade agreements. It was further limited to focusing on policy reform and policy implementation, since that is where it was judged that USAID has the greatest regional comparative advantage.

Taking into account limited resources and the need to achieve measurable results, the Mission established a set of criteria that was used to determine substantive areas of focus in the project. These criteria included that project activities should have results attainable within the life of the project, address constraints which are common to Central America overall and not just to one Central American country, contribute to increased preparedness for entry into a free trade agreement, satisfy technical feasibility considerations, avoid duplication with and be complementary to other USAID and donor programs, and represent interventions supported by the Central American governments and for which there is a strong perception of sufficient political will to carry out proposed reforms.

Based on these criteria, the Mission decided that the Regional Trade Policy Project will focus on four substantive areas: intellectual property rights, labor harmonization, trade liberalization and improvement of the investment policy framework. Given the fluid nature of regional trade policy developments and the evolving nature of free trade agreement readiness criteria, the project is designed to enable quick response to emerging targets of opportunity supporting the region's preparedness to participate in free trade agreements. To assure that the project is reaching the desired results and is appropriately focused, the project design includes extensive monitoring of project activities based on annual action plans and a results framework, which will be used to adjust implementation mechanisms and project focus as required.

2 Project Feasibility

Another issue addressed during development of the strategy for the strategic objective and during project design was the feasibility of focusing on policy reform and policy implementation since successful activities in these areas require national and regional political will. Based on the outcomes of the Miami Summit of the Americas, the highly positive declarations of the Central American presidential summits regarding the need to become more integrated into the global economy, the region's expressed interest in joining a Free Trade Area of the Americas and ongoing national and regional policy reforms directed towards more open and competitive economies, the policy context for success in reaching the goal of the Regional Trade Policy Project is quite good. Moreover, if political attitudes shift to become more protectionist or if opposition from powerful sectoral interest groups is successful in defeating

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or delaying required trade policy reforms, the project design will enable the Mission to quickly support activities targeted at countering protectionism

3 Need for a Regional Program

Before designing the Regional Trade Policy Project, the Mission developed a strategy for its activities in this area, based upon an analysis of regional needs for sustainable economic growth, the Mission's comparative advantage, projected resource availability, and an assessment of bilateral Mission and other donor activities. The development of this strategy pointed out the following: 1) the region needed to prepare itself for participation in future free trade agreements, 2) there was a need for regional or sub-regional policy reform and more effective policy implementation, supported by technical assistance and training, 3) the Mission's comparative advantage was in relatively low-cost targeted policy reform interventions where there was regional political will to change and 4) there was a gap between regional needs and the provision of bilateral and other donor assistance that could be filled at the regional level. Based on the results of the development of this strategy, the Mission began the design of the Regional Trade Policy Project.

However, during project design, issues arose again about the need for a regional approach since many countries were moving forward on policy reform independently. Nonetheless, the regional approach to free trade issues was validated due to economies of scale that can be achieved by working regionally rather than in individual countries and to the Central American's own initiatives to collaborate regionally on policy reform. This need was confirmed in extensive consultations held with the bilateral USAID Missions and in the regional meeting on the concept paper for the project, held on March 28, 1995.

A good example of existing commitment to a regional approach is the Central American Convention on Trademarks, which four of six Central American countries approved in November 1994, guaranteeing world-class trademark protection. Interest has been expressed in updating the existing Central American Convention on Patents to bring it up to international standards and to create a Central American Convention on Copyrights. Regional IPR enforcement mechanisms are also being actively discussed. The US, although no formal decision has been made on how countries will accede to NAFTA (i.e. individually or by regional or sub-regional bloc), has also begun treating Central America as a region, holding the first regional Trade and Investment Council meeting in March 1995 to follow-up to the action agenda agreed to in the Summit of the Americas.

4 Funding Uncertainty

Due to budget uncertainties, full funding for the Regional Trade Policy Project can not be guaranteed. This issue was considered during project design, and at time raised doubts about whether the project should proceed. Since preparing the region for participation in free

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trade agreements is a high policy priority not only for the United States but also for Central America and due to its prospected impact on increasing economic growth, the project design went forward even given funding uncertainty

However to mitigate the impact of uncertain funding on project implementation, the project has been designed in discrete components that will be phased in over three years as funding becomes available. This strategy will ensure that concrete and measurable results are achieved in certain project components regardless of whether the entire project is funded or not. The first component to be funded will be intellectual property rights protection, followed by labor participation, the investment policy framework and trade liberalization components

5 Implementation Mechanisms

Another issue considered during project design was how the project would be implemented. In the past, nearly all regional project activities related to economic growth had been obligated with and implemented through SIECA, the Secretariat for Central American Economic Integration. Mission evaluations showed that SIECA was plagued by deficiencies in administration and management, with weaknesses in its control of project funds. Although SIECA has recently improved in some areas, the Mission remained skeptical of its ability to manage funds and effectively implement project activities. Other regional organizations were considered as well for project obligation, but were discarded for a variety of reasons such as management weaknesses and insufficient administrative capacity.

The Mission decided, therefore, to take advantage of its close relationship with the Central American Ministers of Economy. The Ministers form the Central American Economic Council and meet frequently. Part of their responsibilities include preparation of their individual countries for participation in free trade agreements and trade expansion. Given past problems with SIECA and based on discussions with the Ministers, the Mission decided that the most effective way to achieve project objectives would be to obligate all project funds through an agreement to be signed by the Central American Ministers of Economy. To facilitate routine project administrative actions, the Ministers will designate a liaison with the Mission for project follow-up.

Rather than pre-determining which institution will implement the different project components during the design phase and because of the phased nature of the project, specific project components will be implemented through contracts or grants to the organization judged best able to achieve project results. These organizations will be selected through an open and competitive process managed by USAID/G-CAP and open to U.S., national and regional groups.

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6 Participation in Project Design

To ensure that the viewpoints of the various sectors involved were included in the project design, the Mission requested input from more than 30 representatives of the government, labor, civil private and academic sectors. This broad range of regional and national representatives were each sent a brief project description and asked to comment on the project approach and areas of focus. Although the majority of organizations that commented on the project sought the inclusion of activities in their area of interest, a variety of substantive comments were also received. A complete list of the organizations consulted and a summary of their comments is included in Annex L. In addition to this consultative process, meetings were held with regional labor representatives to specifically discuss the labor harmonization component of the project and ensure that their viewpoint was taken into account in the entire project design.

Bilateral USAID Missions and U S Embassies were consulted as well on the proposed project to ensure complementarity with planned bilateral activities and coordination with Embassies on IPR, labor and investment issues. A summary of USAID Mission comments on the project design is attached in Annex K. Comments from all development partners were taken into account in developing the final project document, which reflects a general consensus among the sectors regarding the project approach and areas of focus.

7 Inclusion of Equity Issues

During the design of the Regional Trade Policy Project, the Mission also considered how to include equity issues. Most regional and country strategies to combat poverty include the following elements: **1) economic growth** economic reforms improving operational efficiency leading to higher output, employment and incomes, **2) investing in people** greater investment in educational and health services to, in addition to bettering the quality of human life (an important objective in itself), enhance the ability of the poor to take advantage of the increased opportunities made available by an expanding economy, and **3) social safety net** the creation of social programs to address the needs of those unable to obtain productive employment or to be trained. In addition, most poverty alleviation strategies include emphasis on increasing the effective political participation of the poor and improved protection of human rights. In Central America, USAID, through its regional and bilateral missions, fund a number of programs and projects supporting each of the elements listed above.

The Regional Trade Policy Project is designed to accelerate Central America's integration into the hemispheric economy. Improved trade policies will lead to greater trade flows, bringing about higher levels of overall economic activity, creating more employment and raising incomes. As such, the Project contributes directly to element one of the poverty alleviation strategy, above. In addition, the Project includes an element to enhance labor's participation in the benefits of growth through upwardly harmonized and more streamlined

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labor policies. It also seeks to increase the participation of labor and other social groups in the regional trade policy dialogue. By including labor more explicitly into policy dialogue and increasing general understanding of trade issues through workshops and consensus-building exercises, it is expected that the project will contribute to more rational policy changes that contribute to greater economic growth for all citizens.

8 Close-out Countries

Because USAID bilateral programs will be closed out in Costa Rica and in Belize during the life of the Regional Trade Policy Project, the Mission also considered how to deal with activities in these close-out countries, particularly focusing on Costa Rica since it is actively engaged in working with the rest of Central America on trade issues, often taking a leadership role. To address this issue, the Mission has developed a listing of activities of a purely regional nature that would suffer without the participation of the close-out countries. These activities include the regional assessment of the investment policy framework, regional seminars on intellectual property rights legislation and enforcement, regional labor workshops and regional trade liberalization technical assistance or training. Approval for these activities is pending a decision from USAID/W.

9 Coordination with Other Donors/Bilateral USAIDs

The Mission also considered during project design whether the Regional Trade Policy Project would duplicate or compete with existing or planned programs of bilateral USAID Missions and other donors. To assure that this would not occur and that project activities were complementary to other projects rather than duplicative, the Mission conducted an analysis of other donor, bilateral Mission and USAID/W activities.

In those cases where there is the potential for duplication of project activities (such as in the case of the LAC Free Trade Expansion Project and certain bilateral Mission activities), USAID/G-CAP will work closely with the LAC Bureau and the bilateral USAID Missions to ensure that the Regional Trade Policy Project is complementary to, and not duplicative of, the other hemispheric or national activities that are planned. For example, in the case of the LAC Free Trade Expansion Project, which will focus on trade policy, labor issues, technology transfer and communication systems, USAID/G-CAP has reached agreement with the LAC Bureau that the Regional Trade Policy Project would cover Central America's needs related to trade liberalization, labor participation, intellectual property rights and the investment policy framework, while the LAC Free Trade Expansion Project would focus its efforts in these areas outside of the Central American region.

The Mission assessment showed that no other major donor is currently actively working on the same areas as those proposed for the Regional Trade Policy Project, although it is likely that the Canadians and the Interamerican Development Bank will begin regional programs in

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the next year or so. A summary of other donor, USAID/W and bilateral Mission projects that are related to the Regional Trade Policy Project is attached as Annexes D and E. In addition, a chart showing the contribution of other U.S. Government agencies to the free trade agreement process and how the Regional Trade Policy Project will relate to their efforts is attached as Annex M.

B Principal Assumptions and Risks

Success of this project is dependent upon sufficient political will on the part of the Central American governments to make difficult policy choices related to what are often sensitive areas, such as intellectual property rights and labor. This project assumes that the Central American governments will follow through on existing commitments made during the Summit of the Americas and in CONCAUSA, despite potentially strong resistance to opening local markets from certain elements of the private sector. If this is not the case and it appears that the Central American governments are becoming more protectionist rather than more open to trade, the project may need to be altered.

C Monitoring Risks during Implementation

As noted in Section III, project activities will be continuously monitored against expected results to assure that results will be reached during the timeframe of the project. The monitoring of project activities will take into account external factors and the risks mentioned above to determine their effect on the achievement of project results.

V Financial Plan

A USAID Resource Requirements

The total USAID cost of the Regional Trade Policy Project is \$5.245 million. Each major project component within the Regional Trade Policy Project is estimated as shown in Table 2.

Table 2 Regional Trade Policy Project Cost Summary
(In U.S. Dollars)

Policy Reform and Implementation	
Protection of Intellectual Property Rights	1,300,000
Enhancing Participation of Labor	1,300,000
Improvement of the Investment Policy Framework	700,000
Trade Liberalization	1,433,000
Regional Economist	151,868
Project Management	285,132
Monitoring and Evaluation	75,000
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5 245,000

Table 3 shows the estimated level of expenditures by project year and by type of input over the five year life of project

TABLE 3

Project Components	Illustrative Life of Project Budget					TOTAL
	Year 1	Year 2	Year 3	Year 4	Year 5	
I Policy Reform / Implementation	243 623	947,169	1 240 485	1,152,226	1 301,365	4,884,868
A Intellectual Property Rights	243,623	289,096	311 614	239,661	216,006	1,300 000
1 Technical Assistance	222 852	242 125	263 323	189 918	164 666	1 082 884
2 Training	20 771	21 971	23 291	24 743	26,340	117 116
3 Audits	0	25,000	25,000	25 000	25 000	100 000
B Labor Harmonization	0	348 510	270 926	285 349	395,215	1 300 000
1 Technical Assistance	0	131 120	144 232	158 655	174 521	608 528
2 Training	0	217 390	101 694	11 694	195,694	616 472
3 Audits	0	0	25,000	25 000	25 000	75 000
C Investment Policy Framework	0	214,280	207,480	132,495	145,745	700,000
1 Technical Assistance	0	214 280	120 450	132 495	145 745	612 970
2 Training	0	0	87 030	0	0	87 030
D Trade Liberalization	0	95,283	406,923	444 647	486 147	1 433,000
1 Technical Assistance	0	39 600	321 140	353 254	388 580	1 102 574
2 Training	0	55,683	60,783	66,393	72,567	255,426
3 Audits	0	0	25 000	25 000	25 000	75 000
E Regional Economist	0	0	43 542	50 074	58 252	151 868
II Project Management	42 289	48,633	55 927	64,317	73 964	285 132
III Mid term Evaluation	0	0	75,000	0	0	75,000

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GRAND TOTAL	285 912	995 802	1 371 413	1 216 542	1 375 329	5 245 000
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The five-year \$1.3 million **Protection of Intellectual Property Rights** component will include a PASA with the Patent and Trademark Office of the U.S. Department of Commerce and an agreement or contract with a regional or U.S. institution. The four-year \$1.3 million **Encouraging Participation of Labor** component provides for a HB 13 agreement with a consortium of institutions, while the four-year \$700,000 **Improvement of the Investment policy framework** component will provide for a contract to do an initial baseline study and follow-on technical assistance. The four-year \$1,433,000 **Trade Liberalization** component has a grant to provide technical assistance for policy reform. Funds are also provided for a three-year contract for a regional economist to support policy reform and implementation efforts⁵. Funding for **Project Management** (\$285,132) will provide for a five-year contract for a FSN PSC project secretary and project assistant. Finally, under **Project Monitoring and Evaluations**, \$75,000 will be provided to support a mid-term project evaluation. Detailed budgets by component are attached in Annex J.

B. Counterpart Contributions

USAID funds will be used to leverage additional resources from public and private sector organizations to support project activities. Mission calculations of counterpart will include contributions in cash and in kind both from project counterparts which have been awarded sub-agreements and from other institutions that have provided resources to support the implementation of project activities. In the HB 13 agreements that are awarded, a 25% counterpart contribution will be requested. Because a determination of whether a particular project component will be implemented through an agreement or a contract has not been made in all cases, it is impossible to determine at this time what the formal counterpart contribution to the project will be. Calculations of counterpart are based upon an assumption of the number of agreements (as opposed to contracts) that will be awarded.

In addition to the formal counterpart contribution, the Regional Trade Policy Project will also be supported by other contributions during project implementation. For example, when a regional or national seminar is held in a particular country, a local organization will be required to assist in providing logistical support (i.e. space for the seminar, meals, invitations, etc.). Resources provided by local institutions that contribute to project implementation will not be formally included in calculations of project counterpart. However, the Mission will track the contributions received from other sources in support of project activities to have an estimate of the resources leveraged from project counterparts.

⁵ The other two years of the regional economist contract will be funded from another source.

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Conservative estimates of counterpart contributions from both project sub-agreements and other sources indicate that Regional Trade Policy Project activities will generate an estimated additional \$1.7 million in counterpart contributions, resulting in a total estimated project budget of \$6.9 million. Table 4 provides a summary of Regional Trade Policy project funding from all sources.

TABLE 4

TOTAL FUNDING FROM ALL SOURCES				
Project Components	Project Funding	Counterpart Funding from Sub Agreements	Estimated Additional Counterpart Funding	Total Project Funding
A Intellectual Property Rights	1 300 000	250 000	300 000	1 850 000
Dept of Commerce PASA	550 000	0	0	550 000
Contract/Grant	750,000	250,000	300 000	1 300 000
B Labor Harmonization	1 300 000	433 333	80 000	1 813 333
C Investment Policy Framework	700 000	0	120 000	820 000
D Trade Liberalization	1 433 000	477 667	80 000	1 990 667
E Regional Economist	151 868	0	0	151 868
F Project Management	285 132	0	0	285,132
G Mid term Evaluation	75 000	0	0	75 000
TOTAL PROJECT FUNDING	5,245 000	1,161 000	580,000	6,986 000

C Expected Obligation Actions and Schedule

All project funds will be obligated into a HB 3 agreement to be signed by the six Ministers of Economy. Subsequent project implementation will be through contracts or agreements selected through an open and competitive process. Additional technical support for the intellectual property rights component will be provided through a PASA with the Patent and Trademark Office, and a regional economist will support the implementation of all project components.

The Regional Trade Policy Project will be implemented in phases. During the first year of project implementation, the Intellectual Property Rights component will be fully funded, and incremental funding will be provided for the FSN project secretary and project assistant. The Mission chose to fund the Protection of Intellectual Property Rights component during the first

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year of project implementation since it is clearly connected to preparation for free trade agreements and since the region has already demonstrated its political will to support policy reform in this area, through the drafting, on its own initiative, of a new Central American Convention on Trademarks that complies with international standards

During the second year of project implementation, funding will be provided for full funding of the Labor Participation and Investment Policy Framework components, partial funding of the Trade Liberalization component and incremental funding for project management

During the third year of project implementation, the project management component and the remainder of the Trade Liberalization component will be fully funded. Funds will also be provided for the mid-term evaluation and the contract of the FSN regional economist. It is estimated that the Regional Trade Policy Project will be fully funded during the third year of project implementation. If more funds are received in any one fiscal year than anticipated, project implementation will be accelerated. Table 5 shows the funding plan by project component. All funds will be obligated through the HB 3 agreement.

**TABLE 5
OBLIGATION/FUNDING PLAN**

Project Component	FY 1995	FY 1996	FY 1997	TOTAL
Intellectual Property	1 300 000	0	0	1,300 000
Labor Harmonization	0	1 300 000	0	1 300 000
Investment Policy Framework	0	700 000	0	700 000
Trade Liberalization	0	95 283	1,337 717	1 433 000
Regional Economist	0	0	151,868	151 868
Project Management	190 000	44 717	50 415	285 132
Mid term Evaluation	0	0	75 000	75 000
GRAND TOTAL	1 490,000	2 140 000	1 615 000	5 245 000

D Recurrent Costs for Participating Organizations

The recurrent costs of participating organizations will be covered by the organizations themselves, since project funds will only be used to support the direct costs associated with project activities and their administrative support. Recurrent costs will be included in the calculation of counterpart resources of the project, and the ability to cover recurrent costs will be a selection criteria in the award of grants. If an organization does not have the capacity to cover its recurrent costs or to adequately support project activities, they will not be awarded.

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the grant for project implementation

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VI Management Procedures

A Project Management

The Regional Trade Policy Project will be managed by an OE-funded FSN Project Manager, supported by a project-funded FSN secretary and FSN project assistant. Oversight of the project will be provided by a USDH in USAID/G-CAP. No additional operating expense funds are required, either from USAID/G-CAP or from USAID/W, other than those associated with the travel and salary of these positions.

B Monitoring and Evaluation System

The implementation of the Regional Trade Policy Project will be monitored at three distinct levels: overall strategic focus, results framework and annual action plans. At the strategic level, USAID/G-CAP will hold at least semi-annual meetings with the vice-ministers of Economy to discuss project progress, problems and results, and the need to modify the project's strategic approach. The vice-ministers already hold regular monthly meetings to discuss regional trade policy developments, discussion of the Regional Trade Policy Project will be added to the agenda of at least two meetings a year, turning the vice-ministers into the informal project steering committee. In addition to these semi-annual meetings, other project partners, such as the Ministers of Labor, regional labor confederations, the private sector and others, will be consulted periodically as well, to ensure that the project is correctly focused and achieving the desired results. USAID/G-CAP will keep USAID Missions informed of the implementation of specific project activities and their results, soliciting bilateral Mission comments regarding the applicability of regional activities to their portfolio and their assessment of the needs of the country they are in.

The overall results framework for the project is contained in the Strategic Objective framework. At the strategic objective level, the Mission will monitor program outputs and indicators at least quarterly and indicators of overall strategic objective performance at least annually. In addition to the specific indicators included in the strategic objective framework, the Mission will be monitoring other indicators of economic growth in the region to provide a broader picture of regional economic growth trends. Specific indicators that the Mission will monitor include, among others, real wage rates, growth rates in male and female employment, real GDP growth, and changes in per capita income.

More specific and detailed results frameworks will be established at the beginning of the implementation of each grant or contract under the four project components. This framework will be reviewed annually with project participants to assure that it remains valid. The results framework will be directly related to the Mission's Strategic Objective of Increasing Central America's Participation in the Hemispheric Economy, tying in to the achievement of strategic objective program outcomes and indicators.

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Annual action plans to achieve the results outlined in the framework will be established in conjunction with the project counterparts who will be held accountable for reaching project results. Quarterly reports from all project counterparts will document their activities and provide a summary of results during that quarter.

Funds have been included under the Monitoring and Evaluation component of the Regional Trade Policy project for a mid-term evaluation in the third year of project implementation. In addition to this formal evaluation, project management staff will continually monitor project progress against annual action plans and results frameworks established for each project component and against strategic objective indicators.

C Audits/Procurement Plan

Funds will be provided for audits as required, in accordance with USAID regulations. No audits are expected of the HB 3 agreement which will be used as the umbrella obligation mechanism, since the Ministers of Economy will not directly manage any USAID funds. Funds are included for audits of the grants to be awarded under this Project. The methods of financing to be used during project implementation along with a summary of the required audits and project procurements are summarized in Table 6. All procurement will be done by USAID/G-CAP. For the agreements and contracts which will have incremental funding, the full estimated contract/agreement amount for the life of the project is shown.

Table 6

Est Award Date	Estimated Amount	Method of Financing	Method of Implementation	Audits
9/95	\$78 143	Direct Payment	FSN project secretary contract	N/A
	\$206 990	Direct Payment	FSN project assistant contract	N/A
12/95	\$550 000	Direct Reimbursement	Patent and Trademark Office PASA	N/A
12/95	\$750 000	Direct Reimbursement	IPR HB 13 agreement/contract	Recipient contracted
4/96	\$1 300 000	Direct Reimbursement	Labor Participation HB 13 agreement	Recipient contracted
7/96	\$700,000	Direct Reimbursement	Investment Policy Framework contract	N/A
10/96	\$1,433 000	Direct Reimbursement	Trade Liberalization grant agreement	Recipient contracted
7/97	\$151 868	Direct Payment	FSN regional economist contract	N/A
2/98	\$75 000	Direct Reimbursement	Mid term evaluation contract	N/A

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**REGIONAL TRADE AND ECONOMIC INTEGRATION PROJECT
(596-0178)**

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

**CROSS REFERENCE IS COUNTRY
CHECKLIST UP TO DATE?**

Yes, for each participating country

**A CRITERIA APPLICABLE TO
BOTH DEVELOPMENT
ASSISTANCE AND ECONOMIC
SUPPORT FUNDS**

**1 Host Country
Development Efforts (FAA Sec
601(a))** Information and
conclusions on whether assistance
will encourage efforts of the country
to (a) increase the flow of
international trade, (b) foster private
initiative and competition, (c)
encourage development and use of
cooperatives, credit unions, and
savings and loan associations,
(d) discourage monopolistic

This is a regional project which is viewed as
a necessary condition to (a), (b), (d), (e),
and (f)

practices, (e) improve technical efficiency of industry, agriculture, and commerce, and (f) strengthen free labor unions

2 U S Private Trade and Investment (FAA Sec 601(b)) Information and conclusions on how assistance will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

Two of the substantive areas identified for policy reform and implementation activities under the project are the adequate protection of intellectual property rights (which include patents, trademarks, and copyrights) and investment protection (i e affording national treatment to foreign investors and having an adequate commercial dispute resolution system)

3 Congressional Notification

a General requirement (FY 1995 Appropriations Act Sec 515, FAA Sec 634A) If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Proper notification has been provided to Congress

b Special notification requirement (FY 1995 Appropriations Act Sec 520) Are all activities proposed for obligation subject to prior congressional notification?

N/A

c Notice of account transfer (FY 1995 Appropriations Act Sec 509) If funds are being

N/A

obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

c Cash transfers and nonproject sector assistance (FY 1995 Appropriations Act Sec 536(b)(3)) If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U S interests to be served and a description of any economic policy reforms to be promoted?

N/A

4 Engineering and Financial Plans (FAA Sec 611(a)) Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U S of the assistance?

Yes

Yes

5 Legislative Action (FAA Sec 611(a)(2)) If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6 Water Resources (FAA

Sec 611(b)) If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U S C 1962, et seq)?

N/A

7 **C a s h**
Transfer/Nonproject Sector
Assistance Requirements (FY 1995
Appropriations Act Sec 536) If
assistance is in the form of a cash
transfer or nonproject sector
assistance

N/A

a Separate account

Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

b Local currencies

If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies

(1) Has A I D

(a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be

utilized, and (c) established by agreement the responsibilities of A I D and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A I D taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) I f assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8 Capital Assistance (FAA Sec 611(e)) If project is capital assistance (e.g., construction), and total U S assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

SS

9 Multiple Country Objectives (FAA Sec 601(a)) Information and conclusions on whether projects will encourage efforts of the country to (a) increase the flow of international trade, (b) foster private initiative and competition, (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices, (e) improve technical efficiency of industry, agriculture and commerce, and (f) strengthen free labor unions

See item (1) above

10 U S Private Trade (FAA Sec 601(b)) Information and conclusions on how project will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

See item (2) above

11 Local Currencies

a Recipient Contributions (FAA Secs 612(b), 636(h)) Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U S are utilized in lieu of dollars

Local contributions in support of this project will be in-kind and/or in local currencies

b U.S -Owned Currency (FAA Sec 612(d)) Does the U S own excess foreign currency of the country and, if so, what arrangements have been made

N/A

for its release?

12 Trade Restrictions

a **Surplus Commodities** (FY 1995 Appropriations Act Sec 513(a)) If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U S producers of the same, similar or competing commodity?

N/A The trade liberalization component will be focused on the reduction of tariff and non-tariff barriers

b **Textiles (Lautenberg Amendment)** (FY 1995 Appropriations Act Sec 513(c)) Will the assistance (except for programs in Caribbean Basin Initiative countries under U S Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U S -made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U S exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

13 Tropical Forests (FY

1991 Appropriations Act Sec 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act) Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14 PVO Assistance

a **Auditing and registration** (FY 1995 Appropriations Act Sec 560) If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A I D , and is the PVO registered with A I D ?

Institutions not yet selected (to be checked at a later date)

b **Funding sources** (FY 1995 Appropriations Act, Title II, under heading "Private and Voluntary Organizations") If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Institutions not yet selected (to be checked at a later date)

15 **Project Agreement Documentation** (State Authorization Sec 139 (as interpreted by conference report)) Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to

N/A

State L/T and A I D LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision)

16 Metric System
(Omnibus Trade and Competitiveness Act of 1988 Sec 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes, to the extent practicable

17 Abortions (FAA Sec 104(f), FY 1995 Appropriations Act, Title II, under heading

"Population, DA," and Sec 518)

a Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options including abortion)

No

b Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No

c Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No

d Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only)

No

e In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious

N/A

or conscientious commitment to offer only natural family planning? (As a legal matter, DA only)

f Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

g Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

18 **Cooperatives** (FAA Sec 111) Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? N/A

19 **U S -Owned Foreign Currencies**

a **Use of currencies** (FAA Secs 612(b), 636(h), FY 1995 Appropriations Act Secs 503, 505) Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U S are utilized in lieu of dollars to meet the cost of contractual and other services N/A

b **Release of currencies** (FAA Sec 612(d)) Does the U S own excess foreign N/A

currency of the country and, if so, what arrangements have been made for its release?

20 **Procurement**

a **Small business** (FAA Sec 602(a)) Are there arrangements to permit U S small business to participate equitably in the furnishing of commodities and services financed? Yes

b **U S procurement** (FAA Sec 604(a)) Will all procurement be from the U S , the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? Yes

c **Marine insurance** (FAA Sec 604(d)) If the cooperating country discriminates against marine insurance companies authorized to do business in the U S , will commodities be insured in the United States against marine risk with such a company? Yes

d **Insurance** (FY 1995 Appropriations Act Sec 531) Will any A I D contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U S insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? Yes

e **Non-U S agricultural procurement** (FAA

Sec 604(e)) If non-U S procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U S) N/A

f **Construction or engineering services** (FAA Sec 604(g)) Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries) N/A

g **Cargo preference shipping** (FAA Sec 603)) Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U S flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

h Technical assistance (FAA Sec 621(a)) If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes U S Institutional contractors and the Patents and Trademarks Office of the Dept of Commerce will participate

i U S air carriers (International Air Transportation Fair Competitive Practices Act, 1974) If air transportation of persons or property is financed on grant basis, will U S carriers be used to the extent such service is available?

Yes

j Consulting services (FY 1995 Appropriations Act Sec 559) If assistance is for consulting service through procurement contract pursuant to 5 U S C 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that

Yes, to the extent practicable

such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

l Competitive Selection Procedures (FAA Sec 601(e)) Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? **Yes**

m Notice Requirement (FY 1995 Appropriations Act Sec 568) Will project agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made? **Yes**

21 Construction

a Capital project (FAA Sec 601(d)) If capital (e.g., **N/A**

65

construction) project, will U S engineering and professional services be used?

b **Construction contract** (FAA Sec 611(c)) If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c **Large projects, Congressional approval** (FAA Sec 620(k)) If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U S not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

22 **U S Audit Rights** (FAA Sec 301(d)) If fund is established solely by U S contributions and administered by an international organization, does Comptroller General have audit rights? N/A

23 **Communist Assistance** (FAA Sec 620(h)) Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? N/A

24 **Narcotics**

a **C a s h**

reimbursements (FAA Sec 483) Yes
Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

b Assistance to narcotics traffickers (FAA Sec 487) Yes
Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances), or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

25 Expropriation and Land Reform (FAA Sec 620(g))
Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

26 Police and Prisons (FAA Sec 660) Yes
Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

27 CIA Activities (FAA Sec 662) Will assistance preclude

use of financing for CIA activities? Yes

28 **Motor Vehicles** (FAA Sec 636(i)) Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U S , unless a waiver is obtained? Yes

29 **Export of Nuclear Resources** (FY 1995 Appropriations Act Sec 506) Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology? Yes

30 **Publicity or Propaganda** (FY 1995 Appropriations Act Sec 554) Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No

31 **Exchange for Prohibited Act** (FY 1995 Appropriations Act Sec 533) Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision No

of United States law?

32 **Commitment of Funds**
(FAA Sec 635(h)) Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No

33 **Impact on U S Jobs**
(FY 1995 Appropriations Act, Sec 545)

a Will any financial incentive be provided to a business located in the U S for the purpose of inducing that business to relocate outside the U S in a manner that would likely reduce the number of U S employees of that business? No

b Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U S ? No

c Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? No

B CRITERIA APPLICABLE TO
DEVELOPMENT ASSISTANCE
ONLY

1 **Agricultural Exports (Bumpers Amendment)** (FY 1995 Appropriations Act Sec 513(b), as interpreted by conference report for original enactment) If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U S exporters of a similar agricultural commodity, or (2) in support of research that is intended primarily to benefit U S producers?

N/A

2 **Tied Aid Credits** (FY 1995 Appropriations Act, Title II, under heading "Economic Support Fund") Will DA funds be used for tied aid credits?

No

3 **Appropriate Technology** (FAA Sec 107) Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most

N/A

appropriate for the small farms, small businesses, and small incomes of the poor)?

4 Indigenous Needs and Resources (FAA Sec 281(b))

Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country, utilizes the country's intellectual resources to encourage institutional development, and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government

The project has been designed based on public and private sector input and background research conducted in different countries of the region

5 Economic Development

(FAA Sec 101(a)) Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

For Central America, increased integration into the hemispheric economy through participation in a free trade agreement will be essential to maintaining sufficient levels of economic growth to meet the needs of its population

6 Special Development Emphases (FAA Secs 102(b), 113, 281(a))

Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U S institutions, (b) encourage democratic private and local governmental institutions, (c) support the self-help efforts of

(a) Income distribution can be made more equitable by allowing for a freer movement of labor and greater participation in the economic development process. The project will work on issues related to establishing a harmonized legal framework for labor in the region and increasing the participation of labor in readying the region for greater integration into the hemispheric economy

(b) N/A

(c) The project purpose is to increase regional preparedness for participation in free trade agreements

(d) The project will promote internationally recognized workers rights, working on those

developing countries, (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (e) utilize and encourage regional cooperation by developing countries

issues for which there is a comparative regional advantage

(e) Project activities will directly support actions required to prepare the region for participation in free trade agreements

7 Recipient Country Contribution (FAA Secs 110, 124(d)) Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

No, not required for a regional project

8 Benefit to Poor Majority (FAA Sec 128(b)) If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes An important focus of project activities is the protection of internationally-recognized workers rights in the region and increasing the participation of labor in readying the region for greater integration into the hemispheric economy

9 Contract Awards (FAA Sec 601(e)) Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

10 Disadvantaged Enterprises (FY 1995 Appropriations Act Sec 555) What portion of the funds will be available only for activities of economically and socially disadvantaged

Although funds will not be specifically set aside for participation of these enterprises, the technical assistance and other contracts will be competitively bid for, allowing

enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

for participation of economically disadvantaged firms

11 **Biological Diversity** (FAA Sec 119(g) Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity, (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats, (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection, or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (Note new special authority for biodiversity activities contained in section 547(b) of the FY 1995 Appropriations Act)

N/A

12 **Tropical Forests** (FAA Sec 118, FY 1991 Appropriations Act Sec 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act)

a **A I D Regulation**
16 Does the assistance comply with

the environmental procedures set forth in A I D Regulation 16? Yes

b Conservation

Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible (1) stress the importance of conserving and sustainably managing forest resources, (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas, (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management, (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices, (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded, (6) conserve forested watersheds and rehabilitate those which have been deforested, (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing, (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation, (9) conserve biological diversity in forest areas by N/A

supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas, (10) seek to increase the awareness of U S Government agencies and other donors of the immediate and long-term value of tropical forests, (11) utilize the resources and abilities of all relevant U S government agencies, (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c Forest degradation Will assistance be used for (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems, (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such

N/A

areas, (3) activities which would result in the conversion of forest lands to the rearing of livestock, (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands, (5) the colonization of forest lands, or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d Sustainable forestry If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e Environmental impact statements. Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A I D regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

13 **Energy** (FY 1991 Appropriations Act Sec 533(c) as

referenced in section 532(d) of the FY 1993 Appropriations Act) If assistance relates to energy, will such assistance focus on (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

14 Debt-for-Nature Exchange (FAA Sec 463) If project will finance a debt-for-nature exchange, describe how the exchange will support protection of (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves, or describe how the exchange will promote (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management

N/A

15 Deobligation/-Reobligation (FY 1995 Appropriations Act Sec 510) If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

16 Loans

N/A

a Repayment capacity (FAA Sec 122(b)) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest

b Long-range plans (FAA Sec 122(b)) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c Interest rate (FAA Sec 122(b)) If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d Exports to United States (FAA Sec 620(d)) If assistance is for any productive enterprise which will compete with U S enterprises, is there an agreement by the recipient country to prevent export to the U S of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

17 Development Objectives (FAA Secs 102(a), 111, 113, 281(a)) Extent to which activity will (1) effectively involve the poor in development, by expanding access

(1) See 6 (a)
(2) N/A

to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U S institutions, (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, (3) support the self-help efforts of developing countries, (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (5) utilize and encourage regional cooperation by developing countries?

- (3) See 6 (c)
- (4) See 6 (d)
- (5) See 6 (e)

18 Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs 103 and 103A)

N/A

a Rural poor and small farmers If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor, or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made

b Nutrition

Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs, and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people

c Food security

Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution

19 Population and Health
(FAA Secs 104(b) and (c)) If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to

N/A

the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach

20 Education and Human Resources Development (FAA Sec 105) If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development, and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities

N/A

21 Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec 106) If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is

N/A

a concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of

energy production, and facilitative of

research on and development and use of small-scale, decentralized renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment,

b concerned with technical cooperation and development, especially with U S private and voluntary, or regional and international development, organizations,

c research into, and evaluation of, economic development processes and techniques,

d reconstruction after natural or manmade disaster and programs of disaster preparedness,

e for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U S assistance,

f for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development

22 Capital Projects (Jobs Through Export Act of 1992, Secs 303 and 306(d)) If assistance is being provided for a capital project,

N/A

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is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

C CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

N/A

1 Economic and Political Stability (FAA Sec 531(a)) Will this assistance promote economic and political stability?

To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2 Military Purposes (FAA Sec 531(e)) Will this assistance be used for military or paramilitary purposes?

3 Commodity Grants/Separate Accounts (FAA Sec 609) If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1995, this provision is superseded by the separate account requirements of FY 1995 Appropriations Act Sec 536(a), see Sec 536(a)(5))

4 Generation and Use of Local Currencies (FAA Sec 531(d)) Will ESF funds made available for commodity import

programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1995, this provision is superseded by the separate account requirements of FY 1995 Appropriations Act Sec 536(a), see Sec 536(a)(5))

5 Capital Projects (Jobs Through Exports Act of 1992, Sec 306) If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i e , one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act Note, as well, that although a comparable provision does not appear in the FY 94 Appropriations Act, the FY 93 provision applies to, among other things, 2-year ESF funds which could be obligated in FY 94)

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PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project
From FY 95 to FY 2000
Total U S funding \$5 245m
Date prepared 4/21/95

Project Title and Number Regional Trade Policy Project 596 0178

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal The broader objective to which this project contributes</p> <p>Increased Central American participation in the hemispheric economy</p>	<p>Measures of Goal Achievement</p> <p>1 Increase in Central American exports to the western hemisphere as a percentage of GDP from 15.7% in 1993 to 18% in 2000</p> <p>2 Increase in composite score on readiness indicators (developed by the Institute for International Economics) from 2.7 in 1992 to 3.4 in 2000</p>	<p>1 USAID/G CAP calculations based on IMF Direction of Trade Statistics and National GDP data</p> <p>2 USAID/G CAP staff calculations based on a methodology developed by the Institute for International Economics</p>	<p>Assumptions for achieving goal targets</p> <p>Central America's interest in and commitment to becoming part of the Free Trade Area of the Americas</p>
<p>Project Purpose</p> <p>Increase regional preparedness for participation in free trade agreements</p>	<p>Conditions that will indicate purpose has been achieved End of Project Status</p> <p><u>Trade policy framework consistent with free trade agreement requirements</u></p> <p>1 Increase in number of countries that have negotiated and implemented bilateral investment treaties with the U S from 0 in 1993 to 6 in 2000</p> <p>2 Increase in number of countries that have negotiated and implemented a bilateral intellectual property rights treaty with the U S from 0 in 1994 to 6 in 2000</p> <p><u>Market oriented policies supportive of freer intra regional trade</u></p> <p>1 Increase in intra regional trade as a percentage of GDP from 3.3% in 1993 to 4.0% in 2000</p> <p>2 Reduce number of product categories not eligible for intra regional trade from 11 in 1993 to 8 in 2000</p> <p><u>Improved policy and institutional framework that facilitates greater labor participation in the benefits of growth</u></p> <p>1 Increase in percent of harmonization of labor codes in the region from 0% in 1993 to 100% in 2000</p>	<p>1 USTR</p> <p>2 USTR</p> <p>1 USAID/G CAP calculations based on SIECA data</p> <p>2 Ministries of Economy</p> <p>1 CRAS</p>	<p>Assumptions for achieving purpose</p> <p>1 Continued commitment on the part of Central American governments to negotiate future free trade agreements as a block and to support outward orientated regional economic integration</p> <p>2 Continued willingness of Central American governments to improve trade regimes within context of overall economic reform programs</p> <p>3 Continued favorable economic environment</p> <p>4 Continuation of Interim Trade Program or equivalent</p>

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs</p> <p><u>Protection of Intellectual Property Rights</u></p> <p>1 Drafting of model Central American Conventions covering patent and copyright protection</p> <p>2 Determination of areas where legislation needs to be modified to meet international standards and building of consensus on the required policy changes</p> <p>3 Upgrading of enforcement capacity in the region</p> <p><u>Encouraging Participation of Labor</u></p> <p>1 Harmonization and simplification of labor codes in order to improve labor mobility facilitate labor code compliance and enforcement and to ensure adequate protection of workers rights in all countries of the region</p> <p>2 Increased regional understanding of the relationships between increased trade and better wages internationally recognized workers rights and trade preferences and models of labor/management cooperation that contribute to both increased productivity and wages</p> <p><u>Improvement of the Investment Policy Framework</u></p> <p>1 Effect policy reform and changes in regulatory procedures at regional level that lead to improvements in investment climate</p> <p><u>Trade Liberalization</u></p> <p>1 Reduction in non tariff barriers</p> <p>2 Make regional legislation consistent with GATT standards</p>	<p>Magnitude of Outputs</p> <p>1 1 500 key policymakers in the public and private sectors trained in importance of intellectual property rights and with understanding of new regional IPR conventions</p> <p>2 400 labor leaders trained in requirements for free trade agreement negotiations with better understanding of their role and the changes required</p> <p>3 180 key public and private sector policymakers trained in the changes required in the investment climate to meet international standards</p> <p>4 200 key public and private sector policymakers and technical staff trained in application of WTO-consistent trade standards and in the reduction of non tariff barriers</p>	<p>1 Implementing agency(ies)/Contractor s records and quarterly project reports</p> <p>2 Public and private sector records and statistics</p> <p>3 Project evaluations and surveys</p>	<p>Assumptions for achieving outputs</p> <p>1 Central American governments continue their commitment and support to liberalizing the trade environment</p> <p>2 Private sector confidence in new policies and regulations</p> <p>3 Continued cooperation among labor private and public sectors</p> <p>4 Continued focus on importance of improving labor relations</p>
<p>Inputs</p> <p>See project budget</p>	<p>Implementation Target (Type and Quantity)</p> <p>Obligation reports monthly project reports</p>	<p>1 USAID Financial Management Office reports</p> <p>2 Public and private sector records</p>	<p>Assumptions for providing inputs</p> <p>1 Provision of project funds as projected</p> <p>2 Participating institutions fulfill financial support commitments</p>

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-95-12

ENVIRONMENTAL THRESHOLD DECISION

<u>Project Location</u>	Central America (Regional)
<u>Project Title</u>	Regional Trade Policy and Economic Integration Project
<u>Project Number</u>	596-0178
<u>Funding</u>	\$5,200,000
<u>Life of Project</u>	1995 - 2000
<u>IEE Prepared by</u>	W T Williams, Regional Environmental Advisor
<u>Recommended Threshold Decision</u>	Categorical Exclusion
<u>Bureau Threshold Decision</u>	Categorical Exclusion/Conditional Negative Determination

Comments

Categorical Exclusion is issued, as stated in attached IEE, for workshops, seminars and conferences, visitation tours, short-term training, and policy sessions as described in 22 CFR 216 2 (c) (2) (1) and (111)

A Conditional Negative Determination is issued for designing new trade policies and assistance in drafting new legislation. This component is not categorically excluded from additional environmental review since these actions could "have an effect on the natural or physical environment" (22 CFR 216 2(c)(1)). The Conditional Negative Determination is based on the potential for negative environmental impacts (direct and indirect) which could result from project efforts to advance and accelerate the process of GATT-consistent, trade-creating Central American economic integration. However, if the following mitigation is implemented, the activity should not have a significant effect on the environment (22 CFR 216 3(a)(2)(111))

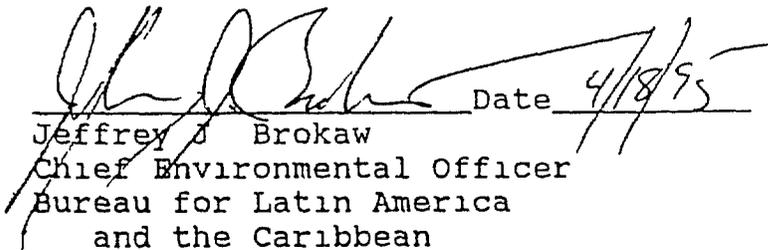
To mitigate environmental impacts, LAC/RSD/E requests that the Regional Environmental Advisor (REA) be involved in design of all activities, and recommend mitigative measures. If a specific activity may result in significant environmental impact, REA shall refer activity to LAC Chief Environmental Officer for a

ENVIRONMENTAL THRESHOLD
DECISION (cont'd)

determination of the need for an Environmental
Assessment

Unless special precautions are taken to ensure full consideration of the potential environmental impacts of trade policies and legislation, the exploitative use of natural resources and/or increased environmental pollution and degradation could result

Parallel to the proposed trade policy and economic integration project, G-CAP is designing a major new environmental initiative. One of the foci of that project is to address upward harmonization of environmental regulations and deal with other environmental concerns within the context of free trade accession. Close collaboration between these two initiatives is important to ensure that there is no significant negative environmental impact from G-CAP's overall free trade related activities.


Date 4/18/95
Jeffrey J. Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

- Copy to William S Rhodes
Director USAID/G-CAP
- Copy to M Alban, PDM
USAID/Guatemala
- Copy to Wayne Williams, REA/CEN
USAID/Guatemala
- Copy to Richard Loudis, LAC/SPM-CAC
- Copy to Cecily Mango, LAC/CEN
- Copy to IEE File

SUMMARY OF OTHER DONOR ACTIVITIES

Project Description	Donor	Estimated Funding	Status
Miscellaneous			
Strengthening of unions	EU	63m ECU	Ongoing
Economic modernization	CIDA	\$7m	Under design
Institutional support for regional institutions	IDB	N/A	Under design
Regional Industrial Development			
Industrial modernization strategy for region	UNDP	\$190,000	Begin May 1995
Support to small and medium industry	EU	6m ECU	Ongoing
Regional Infrastructure Development			
Regional electrical energy development	ECLA	N/A	Ongoing
Energy support	EU	8m ECU	Ongoing
Development of telecommunications	EU	13 8m ECU	Ongoing
Preparation for a Free Trade Agreement			
Analysis of rules of origin and tariffs	IDB	N/A	Ongoing
Research on regional readiness for free trade agreements (manufacturing, agriculture, environment, macroeconomy)	ECLA	N/A	Ongoing through October '96
Regional Export Development			
Export strengthening fund	EU	48 2m ECU	Under design
Development of the fishing industry	EU	13 4m ECU	Ongoing
Financing for small productive projects	EU	4m ECU	Ongoing
Strengthening of phytosanitary services	EU	6 4m ECU	Ongoing
Creation of data bank for exporters	EU	5m ECU	Ongoing
Support to air transportation for non-traditional exports	EU	55m ECU	Under design

SUMMARY OF RELATED USAID/W and BILATERAL MISSION ACTIVITIES

Project Title	Timeframe	Description
USAID/El Salvador Further Trade Liberalization		PD&S activity focused on supporting trade policy reforms
USAID/Guatemala Trade and Labor Relations Development Project	8/93-8/98	Project activities support trade policy reform in the areas of intellectual property rights, investment registration process, dispute resolution and non-tariff barriers. Support is also provided for non-traditional export development and improvement of labor relations
USAID/Honduras Policy Analysis and Implementation Project		Provides support to the GOH's Economic Policy Analysis and Implementation Unit and the agricultural policy unit and to the Chamber of Commerce to support economic policy reform
USAID/Panama Trade and Investment Development Project	3/92-9/96	Promotes policy changes in the legal, judicial and regulatory framework to liberalize trade and remove constraints to export production. Specific reforms include streamlining the business registration process and supporting an anti-trust and anti-dumping law
USAID/W/LAC/RSD/BBEG Free Trade Expansion Project	6/95-6/00	Supports activities in the hemisphere related to trade policy, labor issues, infrastructure and technology transfer

1 TRATADOS GENERALES

TRATADOS GENERALES SOBRE PROPIEDAD INTELECTUAL

TRATADO O CONVENIO	PAISES PARTE EN CENTROAMERICA												
1 Convenio que establece la Organización Mundial de la Propiedad Intelectual (OMPI) de 1967	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Guatemala</td> <td style="text-align: right;">1983</td> </tr> <tr> <td>El Salvador</td> <td style="text-align: right;">1978</td> </tr> <tr> <td>Honduras</td> <td style="text-align: right;">1983</td> </tr> <tr> <td>Nicaragua</td> <td style="text-align: right;">1985</td> </tr> <tr> <td>Costa Rica</td> <td style="text-align: right;">1981</td> </tr> <tr> <td>Panamá</td> <td style="text-align: right;">1983</td> </tr> </table>	Guatemala	1983	El Salvador	1978	Honduras	1983	Nicaragua	1985	Costa Rica	1981	Panamá	1983
Guatemala	1983												
El Salvador	1978												
Honduras	1983												
Nicaragua	1985												
Costa Rica	1981												
Panamá	1983												
2 Convención sobre Patentes de Invención, Dibujos, Modelos Industriales, Marcas de Fábrica y Comercio y Propiedad Literaria y Artística (Convención de Río de 1906)	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Guatemala</td> <td style="text-align: right;">1909</td> </tr> <tr> <td>El Salvador</td> <td style="text-align: right;">1908</td> </tr> </table>	Guatemala	1909	El Salvador	1908								
Guatemala	1909												
El Salvador	1908												
3 Acuerdos sobre los aspectos de los Derechos de Propiedad Intelectual relacionados con el Comercio (ADPIC, TRIPs -siglas en inglés-) El Acuerdo que establece la Organización Mundial de Comercio, del cual es parte integral el ADPIC o TRIPs no ha sido ratificado por los países centroamericanos, pero todos ellos lo suscribieron y lo ratificarán durante 1995 ¹	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Guatemala</td> <td></td> </tr> <tr> <td>El Salvador</td> <td></td> </tr> <tr> <td>Honduras</td> <td></td> </tr> <tr> <td>Nicaragua</td> <td></td> </tr> <tr> <td>Costa Rica</td> <td></td> </tr> <tr> <td>Panamá ²</td> <td></td> </tr> </table>	Guatemala		El Salvador		Honduras		Nicaragua		Costa Rica		Panamá ²	
Guatemala													
El Salvador													
Honduras													
Nicaragua													
Costa Rica													
Panamá ²													

(1) Honduras y Costa Rica ratificaron la Ronda Uruguay en diciembre de 1994

(2) Panama esta en proceso de entrar a la OMC y ratificar la Ronda Uruguay

**2 *TRATADOS VINCULADOS EN LAS NEGOCIACIONES
COMERCIALES***

TRATADOS

TRATADOS MAS RELEVANTES EN CUANTO DERECHOS DE AUTOR Para las Negociaciones Comerciales y otros compromisos internacionales (A)	QUIENES SON PARTE EN CENTROAMERICA AL 1/1/95	TRATADOS MAS RELEVANTES EN CUANTO A PROPIEDAD INDUSTRIAL Para las Negociaciones Comerciales y otros compromisos internac (B)	QUIENES SON PARTE EN CENTROAMERICA AL 1/1/95	TRATADOS DE APLICACION EN EL TLCN (NAFTA)	TRATADOS DE APLICACION COSTA RICA MEXICO Y NICARAGUA MEXICO	TRATADOS DE APLICACION CUATEMALA EL SALVADOR/ HONDURAS/MEXICO
1 Convenio de Berna para la Protección de las Obras Literarias y Artísticas (Berna 1886 Ultima Acta/París 1971)	C Rica (78) El Salv (94) Honduras (90)	1 Convenio de París para la protección de la Propiedad Industrial (París 1883)	El Salvador (94) Honduras (94)	1 Berna (A) 2 Ginebra (A) 3 París (B) 4 Obtenciones vegetales (1978) 6 Nuevas variedades de plantas (1991) (B) 5 Circuitos Integrados (A)	Berna (A) Ginebra (A) Roma (A) París (B) Lisboa (B) <u>Costa Rica debe</u> 18 meses a partir de la vigencia del TLC adherirse a París 3 años adherirse a Lisboa 7 años implementar normas procesales y defensa en frontera No se regula con especialidad el asunto del Tequila y el Mezcal <u>Nicaragua</u> implementaria 18 meses París 3 años Lisboa 7 años normas procesales y protección en frontera Con la vigencia del TLC se adoptarán normas técnicas para el Tequila y Mezcal	Berna (A) Ginebra (A) Roma (A) París (B) Lisboa (B) <u>Propuestas mexicana</u> 1 año para adherirse (quienes no son parte) a Berna Ginebra (fonograma) Roma (derechos conexos) París Lisboa 7 años para implementar medida procesales A la entrada en vigencia del Acuerdo los centroamericanos deberán aplicar en su territorio una normativa para el Tequila y el Mezcal
2 Convenio para la Protección de los Productores de Fonogramas contra la reproducción no autorizada de sus fonogramas (Ginebra 1971)	Costa Rica (82) El Salvador (79) Guatemala (77) Honduras (90) Panamá (74)	2 Convenio Internacional para la protección de las obtenciones vegetales (Convenio UPOV) (1978) 6 Convención Internacional para la Protección de Nuevas Variedades de Plantas (1991)		México goza de 2 años para implementar UPOV 4 años para implementar lo relativo a Esquemas de Frizado 3 años para implementar la defensa de los derechos de propiedad intelectual en frontera Estados Unidos hizo reserva respecto artículo 6 bis del C. de Berna (Derechos Morales)		
3 Convención internacional sobre la protección de los artistas intérpretes o ejecutantes los productores de fonogramas y los organismos de radiodifusión (Roma 1961)	Costa Rica (71) El Salv (79) Guatemala (77) Honduras (90) Panamá (83)	3 Arreglo de Lisboa relativo a la Protección de las denominaciones de origen y su registro internacional				
4 Convenio sobre la distribución de señales portadoras de programas transmitidas por satélite (Bruselas 1974)	Nicaragua (79) Panamá (85)	4 Convenio Centroamericano para la Protección de la Propiedad Industrial	Guatemala (75) El Salvador (89) Nicaragua (69) Costa Rica (70)			
5 Tratado sobre el Registro Internacional de obras audiovisuales (Registro de Películas) (Ginebra 1909)		5 Convención General Interamericana de Protección Marcaría y Comercial (Washington 1929)	Guatemala (29) Honduras (35) Nicaragua (34) Panamá (84)			
6 Tratado sobre la Propiedad Intelectual respecto de los circuitos integrados (Washington 1989) No ha entrado en vigor	Guatemala (89)	6 Convención de Patentes de Invención Diseños y Modelos Industriales (Buenos Aires 1910)	Guatemala (38) ¹ Honduras (38) Nicaragua (13) Costa Rica (16) Panamá (38)			
7 Convención General Interamericana sobre Derecho de Autor en Obras Literarias Científicas y Artísticas (Washington 1946)	Guatemala ¹ Honduras (47) Costa Rica (50) Panamá (82)					
8 Convención Universal sobre Derechos de Autor (Ginebra 1952)	Guatemala (64) El Salvador (78) Honduras ² Nicaragua ³ Costa Rica (53) Panamá (62)					

Nota: Entre parentesis aparece el año en que lo ratificaron

1 Denunció lo relacionado con Marcas Notorias y ya las reconoce en su nueva ley
2 Salvo si alguna para los otros países no fue posible obtener en las Cancillerías la fecha de ratificación, por lo que se usó como base un reporte de la Unión Panamericana que indicaba la participación en el año 1938
3 No fue posible obtener la fecha en que se ratificó

**3 *COMPARACION DE MATERIAS PROTEGIDAS Y PLAZOS
DE PROTECCION***



**DERECHOS DE PROPIEDAD INTELECTUAL
PROPIEDAD INDUSTRIAL**

Periodos de Protección

Derecho Protegido Instrumento y Período de Protección	Convenio de París	ADPIC	TLCN (NAFTA)	C A / México	Convenio * C A Protección Industrial	OBSERVACIONES
- Marcas	No fija el plazo	7 años (renova- bles por períodos iguales)	10 años (renova- bles)	10 años (renova- ble)	10 años (re- novables) <u>Honduras</u> 10 años renovables <u>Panamá</u> 10 años reno- vables	- El anteproyecto de modificación al Convenio Centroame- ricano mantiene el mismo plazo y con- templa en forma clara las marcas notorias , reconoce el derecho basado en el uso an- terior de la marca Asimismo exige el re- quisito de uso de la marca, el que deberá ocurrir dentro de 5 años de concedido el registro Para este ultimo caso Honduras contempla un año
- Nombre comercial	No fija plazo	Remite al Convenio de París	Se com- plementa con el Convenio de París	Se com- plementan con el Convenio de París	Duracion Indefinida <u>Honduras</u> Cada 5 años el titular deberá acre- ditar la e- xistencia de la empresa de manera indu- bitable ante el Registro	Para efectos de com- paración nótese que México en su Ley de Fomento y Protección de la Propiedad In- dustrial (artículo 103) concede al nombre comercial una protección de 5 años renovables, indefini- damente una vez pu- blicado en la Gaceta de Inventiones y Marcas

* Honduras y Panamá no son miembros del convenio

Derecho Protegido Instrumento y Periodo de Protección	Convenio de Paris	ADPIC	TLCN (NAFTA)	C A / México	Convenio C A Protección Industrial	OBSERVACIONES
- Denominaciones de origen (e indicaciones geográficas)	No establece plazo	No establece plazo	No establece plazo	No establece plazo	<p><u>Panamá</u> En este país se le conoce como deno- minación o título comer- cial. Vigen- cia indefi- nida</p> <p>Duración In- definida (duración indefinida en el Proyecto de Modifi- cación)</p> <p><u>Honduras</u> Duración in- definida</p> <p><u>Panamá</u> No las regula</p>	<p>El arreglo de Lisboa no regula plazo dictando que a no ser que un país declare dentro del plazo de un año que no puede conceder protección a una denominación todos tiene la obligación de proteger dicha denominación internacionalmente registrada hasta en tanto siga protegida en el país de origen</p> <p>La Ley de México (artículo 167) indica que el Estado Mexicano será el titular de la denominación de origen</p> <p>Estados Unidos y Canadá no aceptaron ligarse al arreglo de Lisboa en la negociación del TLCN</p> <p>Solo 17 países son miembros del Arreglo de Lisboa</p>

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**DERECHOS DE PROPIEDAD INTELECTUAL
PROPIEDAD INDUSTRIAL**

Períodos de Protección

Derecho Protegido Instrumento y Periodo de Protección	Convenio de París	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Patentes	No fija	20 años	20 años	20 años ¹	<p><u>Guatemala</u> ²⁾ 15a Inven- ciones en gral 10a compo- s quimicos, (alimentos, bebidas, fármacos y agroquimicos) <u>El Salvador</u> 20a Inven- ciones en gral 15a medica- mentos <u>Honduras</u> 20a Inven- ciones en gral 17a farma- ceuticos <u>Nicaragua</u> ⁴ 5-10a <u>Costa Rica</u> 12a ¹ para compuestos quimicos, (alimentos, bebidas, fármacos y agroquimicos</p>	<p>1 No aparece este tema en los textos de negociación</p> <p>2 El Convenio Centroamericano para la Protección de la Propiedad no cubre patentes, diseños industriales, modelos de utilidad ni secretos industriales y comerciales</p> <p>3 En Guat no son patentables los compuestos quimicos ni composiciones químicas de un producto Para el resto, al igual que en Hond , C R , Nic , Panamá y El Salv , son patentables los procesos y los productos</p> <p>4 En Nic , en la práctica el Registrador fija el plazo discrecionalmente</p>

Derecho Protegido Instrumento y Periodo de Protección	Convenio de Paris	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Diseños y dibujos industriales	No fija plazo	10 años (a)	10 años (a)	No lo regula (b)	<u>Panamá</u> 5-20a , plazo que fija el Registro discrecionalmente	La ley panameña da potestad al Min de Ind y Comerc Ext para reducir el plazo de protección concedido por una patente
- Modelos de utilidad	No fija plazo	No los desarrolla en su texto, pero se interpreta que los protege por aplicación supletoria de Paris	No los desarrolla en su texto, pero se interpreta que los protege por aplicación supletoria de Paris	No los regula. Se aplicaría Paris supletoriamente	<u>Guatemala</u> Diseños 5a Modelos 10 a <u>El Salvador</u> Diseños 5a Modelos 10 a <u>Honduras</u> Diseños 5a Modelos 15a <u>Nicaragua</u> Diseños 5-10a Modelos 5-10a <u>Costa Rica</u> Diseños 5a Modelos 5a <u>Panamá</u> Diseños 5-20a Modelos 5-20a	(a) No señalan que sea un plazo prorrogable sino lo señalan como plazo minimo de protección (b) México en su legislación le otorga protección de 10 años a los modelos de utilidad y 15 años para los diseños industriales. En ambos casos el plazo es improrrogable. En Nic y Panamá en la practica el Registrador fija el plazo discrecionalmente
- Información no divulgada (Secretos comerciales e industriales)	Lo trata con puntualidad	Se exige adecuada protección y su divulgación es un acto de competencia desleal entendida bajo Art 10 de Paris	Recoge los principios del TRIPs y desarrolla con más amplitud el tema	Se exige adecuada protección en las legislaciones locales	<u>Guatemala</u> No lo regula con especificidad contempla como delito la infidelidad y en el orden mercantil es considerado competencia desleal	

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Derecho Protegido Instrumento y Período de Protección	Convenio de París	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
					<p>In lo laboral se hace referencia a la obligación de guardar los secretos de que se tenga conocimiento por razón del trabajo</p> <p><u>El Salvador y Honduras</u> Los regulan y establecen sanciones penales y controles No rigen plazos</p> <p><u>Nicaragua</u> No hay regulación específica existen disposiciones en el Código de Trabajo y el Código Penal</p> <p><u>Costa Rica</u> No hay regulación específica existe una disposición en el Código de Trabajo</p> <p><u>Panamá</u> No hay regulación específica existen disposiciones en el Código Penal y el Código de Trabajo</p>	<p>- Tanto el ADPIC y el TLCN hacen relación concreta a la protección de la información no divulgada Debe entenderse que su divulgación debe considerarse, al menos como un acto de competencia desleal</p> <p>- La legislación mexicana (artículos 82 a 86 LEFOPPI) igualmente regula con claridad este tema bajo el título de Secretos Industriales</p>

Derecho Protegido Instrumento y Período de Protección	Convenio de París	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Esquemas de trazado de los circuitos integrados	No los regula	<p>Si se exige registro</p> <ul style="list-style-type: none"> - 10 años a partir de la solicitud de registro - 10 años a partir de la primera explotación comercial <p>Si no se exige registro</p> <ul style="list-style-type: none"> - 10 años mínimo a partir de la primera explotación comercial - Se exija o no registro, una parte puede dar protección por 15 años a partir de la creación 		No se regula en el texto Costa Rica-México ni en la propuesta México-CA	Ningun país los regula con especificidad	

DERECHOS DE PROPIEDAD INTELECTUAL
DERECHOS DE AUTOR

PERIODOS DE PROTECCION

Derecho Protegido Instrumento y Período de Protección	Convenio de Berna	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Obras Literarias y Artísticas (literatura, pintura, música, otros)	Vida del autor, y 50 años después de su muerte ¹	Vida del autor y 50 años después de su muerte ²	Refiere al convenio de Berna (Artículo 1705 a y b) Vida autor más 50 años	Vida del autor y 50 años más después de su muerte	Casi todas las legislaciones de C A establecen vida del autor y 50 años más Nicaragua dice que toda la vida y después de la muerte pasa a sus herederos sin establecer el plazo	¹ Berna reconoce como derechos derivados los patrimoniales y los morales. Los plazos de protección rigen para los derechos patrimoniales. Respecto de los morales dice que éstos durarán al menos lo que duren los patrimoniales. Dejó en libertad de que los países que no regulaban los derechos morales para después de la muerte del autor lo hagan o no al adherirse a Berna. ² Bajo el TRIPS no se aplica el Art 6 bis (Derechos Morales) del Convenio de Berna. ³ Téngase presente. En Guatemala la ley de 1954 señala que el derecho moral dura lo que el patrimonial. El proyecto de la nueva Ley lo conoce como imprescriptible. En Honduras, El Salvador, Costa Rica y Panamá el derecho moral es imprescriptible.

Derecho Protegido Instrumento y Período de Protección	Convenio de Berna	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Programas de ordenador y compilaciones de datos ¹ (Bases de Datos)	Vida del autor, y 50 años después de su muerte	Vida del autor y 50 años después de su muerte	Refiere al Convenio de Berna Vida autor mas 50 años	Vida del autor y 50 años mas	<p>Guatemala No regula los programas de ordenados ni las bases de datos. Se contempla en el Proyecto de Ley.</p> <p>El Salvador: 50 años a partir de su primera publicación o en defecto, de su terminación.</p> <p>Honduras: Por aplicación extensiva hasta 50 años después vida autor.</p> <p>En Costa Rica por estar considerados dentro del derecho de autor vida del autor y 50 años más.</p> <p>Panamá 50 años después de su primera publicación.</p> <p>Nicaragua No lo regula.</p>	¹ Los programas de ordenador y las compilaciones de datos son considerados obras literarias, a las que se aplica el Art 7 l del Convenio de Berna (1971)

Derecho Protegido Instrumento y Período de Protección	Convenio de Berna	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Fotografías y otras obras de arte aplicadas (modalidad de obra artística)	No menor a 25 años	Refiere al Convenio de Berna (25 años)	Refiere al Convenio de Berna (25 años)	Refiere al Convenio de Berna (25 años)	<u>Guatemala</u> Vida autor y 50 años más <u>El Salvador</u> Vida autor y 50 años más <u>Honduras</u> 25 años a partir de su realización <u>Costa Rica y Panamá</u> Vida del autor más 50 años <u>Nicaragua</u> Vida del autor	' Berna (Art 7 4) señala que queda reservada a las legislaciones de los países de la Unión la facultad de establecer el plazo de protección, en tanto no sea menor a 25 años

Derecho Protegido Instrumento y Período de Protección	Convenio de Berna	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Obras audiovisuales	50 años después de que la obra haya sido hecha accesible al público con el consentimiento del autor o si ello no ocurre, 50 años después de realizada la obra	Para su regulación, refiere al Convenio de Berna	Para su regulación, refiere al Convenio de Berna	Para su regulación refiere al Convenio de Berna	<p><u>Guatemala</u> ¹ Vida del autor mas 50 años ó 50 años después de la publicación de la obra</p> <p><u>El Salvador</u> 50 años a partir de su primera publicación o en su defecto, de su terminación</p> <p><u>Honduras</u> 50 años a partir de su primera publicación o en su defecto, de su terminación</p> <p><u>Nicaragua</u> No se especifica ninguna regulación</p> <p><u>Costa Rica</u> Se regula sólo la obra cinematográfica protegida por 50 años después de su primera exhibición</p> <p><u>Panamá</u> Vida del autor más 50 años</p>	¹ Guatemala regula la protección de obras cinematográficas como cualquier otra obra (Ley de 1954)

Derecho Protegido Instrumento y Periodo de Protección	Convenio de Ginebra	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Fonogramas ¹²	Establece plazo mínimo de 20 años	50 años como mínimo, a partir del final del año civil en que realizó la fijación	50 años, a partir del final del año natural en que se haya hecho la fijación	50 años, a partir del final del año calendario en que se realizó la fijación	<p><u>Guatemala y Panamá</u> 20 años por aplicación de Ginebra</p> <p><u>El Salvador y Honduras</u> 50 años a partir del 1o de enero del año siguiente al que haya hecho la fijación</p> <p><u>Nicaragua</u> No lo regula y no es parte de Ginebra</p> <p><u>Costa Rica</u> 50 años a partir del 31 de diciembre del año de su publicación</p>	<p>¹ Los fonogramas entran dentro de los derechos conexos a los derechos de autor. Esos derechos conexos incluyen los derechos de los artistas intérpretes o ejecutantes, derechos de los organismos de radio difusión y sus derechos de productos de fonogramas</p> <p>² Se aplica el Convenio de Ginebra para la Protección de los Productores de Fonogramas contra la Reproducción no autorizada de sus fonogramas</p>

Derecho Protegido Instrumento y Periodo de Protección	Convenio de Roma	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Artistas, intérpretes o ejecutantes	20 años a partir del final del año de la fija- ción en fono- grama o a par- tir del final del año de la realización de la actua- ción si no se fijó en fono- grama	50 años co- mo mínimo a partir del final del año civil en que se hizo la fi- jación o haya tenido lugar la intepreta- ción o eje- cución si no se fijó	No lo re- gula	50 años en los térmi- nos de Roma	<p><u>Guatemala</u> 20 años si por aplicacion de Roma</p> <p><u>El Salvador</u> <u>Honduras y</u> <u>Panamá</u> 50 años a par- tir del 1o de enero del ano siguiente al de la actua- cion o de la publicación de la fijación, en su caso</p> <p><u>Nicaragua</u> No lo regula, no es parte de Roma</p> <p><u>Costa Rica</u> 50 años a par- tir del 31 de diciembre de la realización del espectácu- lo o publica- ción de la fi- jacion</p>	1 Estados Unidos y Ca- nadá no son miembros de Roma. Nin- gún artículo del NAFTA re- mite a la aplicación del contenido sustantivo de Roma

Derecho Protegido Instrumento y Periodo de Protección	Convenio de Roma	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Organismos de radiodifusión	20 años a partir del final del año en que se realizó la emisión de radiodifusión	20 años a partir del final del año civil en que tuvo lugar la radiodifusión	No lo regula	20 años en los términos de Roma	<u>Guatemala</u> 20 años por aplicación de Roma <u>El Salvador</u> <u>Honduras y</u> <u>Panamá</u> 50 años a partir del 1 de enero del año siguiente al que se realizó la emisión <u>Nicaragua</u> No lo regula, no es parte de Roma <u>Costa Rica</u> 50 años a partir del 31 de diciembre del año en que se hizo la emisión	

Derecho Protegido Instrumento y Período de Protección	Convenio de Bruselas	ADPIC	TLCN (NAFTA)	C A / México	Legislación Centro Americana	OBSERVACIONES
- Señales de satélite codificadas portadoras de programas ¹	La señal se protege contra la distribución no autorizada. Esa obligación es para siempre. Se establecen excepciones a la prohibición. Los países parte se comprometen a dotar de protección.	No regula el tema.	Dentro del año siguiente a la vigencia del NAFTA, los Estados parte deben de mejorar la protección al grado de establecer ilícitos penales y civiles derivados de violación o de utilización de medios para la violación de señales protegidas.	Regulación dirigida con énfasis a los medios por los que se capta la señal.	<p><u>Guatemala</u> Control mínimo de carácter administrativo.</p> <p><u>El Salvador</u> No regula el tema.</p> <p><u>Honduras</u> No regula el tema.</p> <p><u>Nicaragua</u> Es parte de Bruselas, pero su legislación no lo regula.</p> <p><u>Costa Rica</u> No se regula.</p> <p><u>Panamá</u> Es parte de Bruselas. Su legislación no lo regula.</p>	<p>¹ No hay plazo para la protección, se entiende que la protección es permanente en tanto exista una señal codificada.</p> <p>² Estados Unidos, México, Nicaragua y Panamá, son parte de Bruselas.</p>

SUMMARY OF LABOR ISSUES

COSTA RICA

In Costa Rica, 4.1% of the workforce is unemployed, with an additional 20% of the labor force underemployed. Approximately 27% of the population lives in poverty, with 9% of these in extreme poverty. The 1943 labor code does not offer protection for unions, and union formation is difficult. Enforcement of the code is limited by a lack of manpower and resources. About 15% of the workforce is unionized, concentrated predominantly in the public sector. The union movement is weak, lacking leadership and unity, and does not receive wide support. Solidarity associations are prevalent in the Costa Rican private sector, with about 15% of the workforce being a member. Costa Rica was brought under GSP review for alleged workers' rights violations in 1993, but the petition was dropped based on Government promises of changes in the labor code.

EL SALVADOR

El Salvador has a newly reformed labor code, bringing it into compliance with ILO standards. Enforcement of the code is constrained by a lack of human and financial resources. There is currently 8.1% urban unemployment and 3-7% underemployment. Labor-management relations are generally poor, with the two sides divided along ideological lines. A GSP petition was brought against El Salvador in 1992, but was dropped based on promises for reform and on the new labor code.

GUATEMALA

Guatemala's labor code was amended in 1992 to simplify the procedures for registering unions, establish new labor courts, allow for the imposition of higher fines for labor infractions and make the Guatemalan labor code consistent with international workers' rights standards. Approximately 8% of the labor force is unionized in Guatemala, and workers have the legal right to organize and bargain collectively. The union movement is considered to be weak, mainly as a result of in-fighting among union federations and over-politicization. There is no real responsibility to union membership. Open unemployment and under-employment are estimated at 60% of the labor force.

Labor-management relations have historically been marked by violence, and until recently, were so poor that labor and management representatives would not agree to sit in the same room. Recent attitudinal changes, particularly among the more progressive elements of the private sector and the union movement, have led to the creation of various tripartite commissions to discuss common training needs and other issues. The solidarity movement is active in Guatemala and in some businesses, both unions and solidarity associations exist. Solidarity groups do not have the power to negotiate collective contracts with employers, since they are classified by the government as civic organizations.

The labor code is generally not enforced, despite recent impressive changes in the quality and training of the Government's labor inspectors, due to an inefficient court system with a backlog of hundreds of labor cases. Guatemala has been under review under the Generalized System of Preferences since 1992 for alleged workers' rights violations.

HONDURAS

Unemployment in Honduras is estimated to be 14%, with additional underemployment of about 45%. Poverty is estimated at 80%. Union organizations are active and strikes are allowed, even for government workers. Labor unions can be formed with 30 members. About 20% of the workforce is unionized. Labor unions strongly oppose solidarity associations on the grounds that they do not permit strikes and have no effective grievance procedures. While labor is the weakest link in the tri-partite negotiations among government, labor and the private sector, labor has managed to stake a place at the negotiating table and can freely exercise its right to strike.

The Honduran labor code regulates workers rights, including work hours, paid vacations, holidays, maternity leave, indemnification and the right to collective bargaining. Enforcement of the code is weak due to resource limitations. GSP petitions have been brought against Honduras for alleged violations of internationally recognized workers' rights.

NICARAGUA

Approximately 24% of the Nicaraguan workforce is unemployed, and more than 26% are unemployed. Four out of five Nicaraguans live in poverty. The 1945 Nicaraguan labor code is generally regarded as obsolete and is not enforced. The union movement is weak due to competition among union federations split along ideological lines. 25 workers are required to form a union. There is no accurate count of the number of union members, but it is estimated that 50% of the workforce is unionized. GSP access was suspended in 1987 due to workers' rights violations.

Labor-management relations are highly conflictive, and marked by violence. In 1991, a series of strikes and lockouts led to gunfire between workers and employers in the sugar sector. While workers freely exercise the right to strike, they must exhaust the prescribed legal method of dispute resolution before striking. A union needs to get permission from the Government to strike, which is seen as government interference in collective bargaining.

PANAMA

There are current efforts in Panama to reform the labor code, which is perceived as being too generous to salaried workers. More than half the economically active population is unemployed. About 11% of Panama's workforce is unionized. The right to organize and bargain collectively is recognized under law and is freely exercised. Export processing zones are exempt from collective bargaining during the first four years of operation. The right to strike is limited due to a requirement that compulsory arbitration must be used in cases where public services are involved or where serious economic problems could result from the strike. Government workers and those employed by the Panama Canal Commission are not allowed to strike. Panama was under GSP review in 1991 due to alleged infringements of the right to organize and bargain collectively.

SUMMARY OF INVESTMENT CLIMATE

Country	Investment Code	ICSID Member	MIGA Member	Expropriation Cases	BIT Status
Costa Rica	No	Yes	Yes	Yes	Negotiations on hold
El Salvador	Yes (1988)	Yes	Yes	No	Reviewing model BIT
Guatemala	No	No	Signed but not ratified	No	Reviewing model BIT
Honduras	Yes (1992)	Yes	Yes	No	Negotiations completed
Nicaragua	Yes (1991)	No	Yes	Yes	Negotiations in process
Panama	No	No	No	No	Yes

ICSID International Center for the Solution of Investment Disputes of the World Bank - use requires paying quota and ratifying adhesion to ICSID

MIGA Though World Bank - provides investment insurance, covering losses for monetary instability, breaking of contracts, expropriation or nationalization and losses for wars or other political causes (strikes, boycotts, etc)

Costa Rica

Costa Rica does not have a foreign investment code, with identical laws for national or foreign investment. Discrimination against foreign investment is constitutionally prohibited. Foreign investment in certain sectors is prohibited, since these activities are reserved for the state. These include public utilities, insurance, demand deposits, the production and distribution of electricity, the operation of ports and airports, and hydrocarbons and radioactive minerals extraction and refining. Participation in service industries (such as in the fields of medicine, law, architecture, engineering and teaching) by foreigners is not restricted, but is so rigorously controlled as to restrict foreign participation.

Bureaucratic procedures slow investment-related transactions, but these procedures have been improved through the opening of a one-stop office to assist investors and through the elimination of controls on foreign exchange transactions. There are no limitations on transferring funds.

associated with foreign investments, and there are no restrictions on the repatriation of earnings, royalties or capital, except when these rights are covered in agreements with the Government

There are seven major property disputes involving U S citizens, and about 18 smaller cases involving squatter invasions and expropriations. In general, the Costa Rican government has not provided prompt, adequate or effective compensation for these appropriations

El Salvador

The 1988 foreign investment and promotion law provides unrestricted remittance of net profits for investors in industrial activities, remittance of net profits up to fifty percent of the registered foreign capital per year for investors in commercial and service activities, unrestricted remittance of funds obtained from the liquidation of a business in proportion to the foreign funds invested, unrestricted remittance of royalties and fees, and free access to foreign exchange and local financing. There are no restrictions on the repatriation of capital

There are no expropriation cases pending in El Salvador. The Government is in the process of setting up a one-stop office for foreign investors. Generally, the investment registration process is seen as non-discriminatory and not an impediment to investment. Under Salvadoran law, there is no discrimination between foreign and national investors, and investment legislation does not include any performance requirements

Guatemala

Guatemala does not have a foreign investment code, but under Guatemala law, foreign investors receive the same treatment as national investors. However, in practice, due to differences in the investment registration process for foreign and national investment and other bureaucratic procedures, foreign investment is more difficult than national investment. To alleviate these problems, the Government plans to open a one-stop investor registration window during 1995

There are no expropriation cases pending in Guatemala. The Government has recently liberalized foreign exchange controls and there are no restrictions on the repatriation of profits. Investment in certain sectors (coastal areas, insurance, mining, energy, professional services) is restricted through outright prohibitions and approval or local equity requirements, but some of the sectoral restrictions are being liberalized to encourage greater local and foreign private sector participation

Guatemala has not signed ICSID, but has ratified the New York and Panama conventions governing arbitration. A legislative initiative to make Guatemalan law consistent with the international conventions Guatemala has signed to allow for international arbitration will be presented to the Congress in 1995

Honduras

The 1992 investment code grants equal treatment to foreign investors and does not limit foreign ownership of businesses, except in a few sectors which require special government authorization,

such as basic health services, telecommunications, electricity generation, transmission and distribution, air transportation and others. The investment code also provides for guaranteed access to foreign currency required for business operation, protection of property rights, access to financing and for the creation of a one stop investor registration window. However, despite the investment code, foreign investors still face discriminatory treatment, facing higher tax rates on dividends than Honduran nationals and heavy regulation on the licensing of foreigners to practice law, medicine, engineering and other profession.

There are approximately 50 cases of expropriation of U.S. citizen property in Honduras. However, expropriation procedures are transparent and just compensation is furnished when private property is appropriated for public use.

Settlement of any contractual or property dispute involving the Honduran government or its citizens must take place in the Honduran courts. This process is generally slow and very expensive. Upon the ratification of a bilateral investment treaty with the U.S. (which has been negotiated and is expected to be signed in June), the option for binding arbitration in ICSID would be available.

Nicaragua

Under Nicaragua's 1991 investment code, foreigners have the right to remit 100% of profits through the official exchange market and, three years after the initial investment, have the right to repatriate capital. The law also allows 100% foreign ownership in most sectors of the economy. Telecommunications, insurance, power generation/transmission and the importation of petroleum remain the exclusive preserves of the state. Foreign investors receive national treatment with respect to export/import policies and privatization proceedings. There are no onerous visa, residence or work permit regulations which inhibit foreign investment.

More than 5,000 individuals and corporations (including 450 U.S. citizens) have outstanding unresolved property claims. Although a property compensation mechanism is in place, it has proven inadequate to date in resolving the majority of cases.

The resolution of investment disputes is unpredictable, due to a cumbersome legal system. Nicaragua is a member of ICSID and arbitration clauses are recommended as a means to avoid the uncertainty of the judicial system.

Investors are not generally required to export specific amounts, incorporate minimum percentages of local content, agree to transfer specific technologies or meet other performance criteria. Nevertheless, each foreign investor who registers under the Foreign Investment Law must negotiate an individual investment contract with the Foreign Investment Committee which may contain performance criteria.

Panama

The Government policy in Panama is not to discriminate against foreign investors.

Constitutional provisions exist to ban foreign land ownership within 10 kilometers of the national border or on an island. Panama has no restrictions on transfers of funds associated with, profits deriving from or capital employed in an investment. There are no current expropriation cases. Panama has a bilateral investment treaty with the U S , under which it recognizes ICSID as a potential means of resolving disputes with foreign investors.

Free Zones

Costa Rica, El Salvador, Guatemala and Honduras all have laws which support free zone development, granting duty-free importation of machines and inputs for production and varying degrees of tax breaks and restrictions on selling to the local market. Honduras has the most generous regime, allowing tax free profits for an unlimited period of time and allowing goods produced in the duty-free zone to be sold on the local market, if there is no national production of the same item.

Draw-back industries

Most Central American countries also encourage investment in draw-back or "maquila" industries, providing for duty-free importation of machinery and other inputs and tax-free income for a certain period of years.

To improve the investment policy framework, all countries should grant national treatment, reduce restrictions on protected sectors, allow for the free mobility of capital and access to foreign exchange (guaranteeing all transfers), establish clear expropriation rules, update their membership in MIGA, eliminate performance requirements, open one stop investor windows or otherwise reduce bureaucracy and avoid double taxation of foreign investors.

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STATUS OF TRADE LIBERALIZATION

Extra-Regional Tariffs

Tariff reductions in Central America began in Costa Rica in the mid-1980s, a pattern which was eventually followed by all other countries in the region. For the most part, these reductions were performed as measures supported by World Bank structural adjustment loans (SALs) and bilateral USAID policy dialogue initiatives. Tariff rates in the region were compressed from a range of 0 - 200+ percent to near the current 5-20 percent range which resulted in a dramatic reduction in the effective rates of tariff protection. This and major improvements in the region's exchange rate regimes were major factors in improving Central America's export competitiveness and contributed importantly to the region's recent surge in non-traditional exports to outside markets. In 1993, the Central American nations (excluding Panama) formally adopted the 5-20 percent tariff range as the region's common external tariff (CET).

Although Central America has pursued other trade reforms over the last two years, primarily those associated with reducing intra- and extra-regional non-tariff barriers, no serious discussion on further CET reductions occurred until early 1995 when El Salvador proposed sharp reductions. El Salvador's proposal, first suggesting the phased elimination of all external tariffs over a two-year period, but later modified to compressing the current 5-20 CET range to 0-6 percent over four years, received a mixed reaction from its Central American neighbors, raising questions of its legality and appropriateness given existing regional agreements.

Following the approval of El Salvador's initiative, both Costa Rica and Guatemala made unilateral changes in the CET with Costa Rica approving a temporary 8% increase in its CET to address a fiscal deficit, and Guatemala temporarily adopting a unified external tariff rate of 10%, also to increase its revenue. Guatemala has since returned to the 5-20% range, and is expected to follow El Salvador's lead in reducing the tariff on inputs from 5% to 1% this year. Honduras has also recently decided to lower its external tariff on certain inputs from 5% to 1% and to make other tariff reductions related to the importation of oils, tuna and sardines.

Although Panama has not adopted the common external tariff range of 5-20%, due to their observer status in the Central American Common Market, they also have reduced their external tariffs in the context of their negotiations to accede to the GATT. Specifically, Panama has agreed to reduce the tariffs on chicken from 320 to 260%, on pork from 90 to 70% and on corn from 150 to 90% over the next ten years.

Seriously complicating Central American efforts to reduce tariff rates (as shown by the examples of Costa Rica and Guatemala) are the recent fiscal crises experienced by several of the region's countries. With an extremely high dependency on trade taxes for fiscal revenue

(Central America ranks the worst in the hemisphere on an indicator developed by the International Institute of Economics for reliance on trade taxes), trade reformers in most Central American countries are finding that poor fiscal performance constitutes the major obstacle to tariff reductions. Their governments, while starting to support further CET cuts, are reluctant to lose important tariff-generated revenues until other secure sources can be found.

However, despite these obstacles, the Central American governments are beginning to realize that increased trade liberalization is necessary and that current constraints, such as poor fiscal performance, have to be addressed in the near term. It is interesting to note that at the recent regional Trade and Investment Council (TIC) meeting between the U.S. and Central America, a session to develop a list of areas for immediate action as part of the Miami Summit follow-up agenda for the June 30 Denver Trade Ministerial, the Central Americans proposed exploring the need for, and the availability of, technical assistance to develop alternative sources of revenues to reduce their dependency on trade taxes.

Further reductions in external tariff protection are essential if Central America is to adequately prepare itself for tighter integration into the hemispheric economy. Upon joining FTAA, or some variation thereof, Central America will have to bring its CET down to levels similar to those of other FTAA members in order to avoid trade diversion and the reduction in international competitiveness associated with high import tariffs. Given the current average tariff rates in North America, a logical mid-term target for Central America would be to establish an external tariff near 5 percent.

Intra-Regional Trade

Tariffs and import controls are applied to a limited number of products that are traded in the region. Following is a summary of those products and an indication of the countries that have designated these products as sensitive and have applied tariffs or licensing requirements.

Product Category	Restriction	Countries applying restrictions
Untoasted coffee	Tariff	All five countries
Unrefined or refined cane sugar	Import control	All five countries
Petroleum derived products	Tariff	All five countries
Wheat flour	Import control	Guatemala-El Salvador Guatemala-Honduras Guatemala-Nicaragua El Salvador-Honduras El Salvador-Nicaragua

Product Category	Restriction	Countries applying restrictions
Ethyl alcohol	Import control	Guatemala-El Salvador Guatemala-Costa Rica El Salvador-Honduras El Salvador-Nicaragua El Salvador-Costa Rica Honduras-Costa Rica Nicaragua-Costa Rica
Toasted coffee	Tariff	Guatemala-Honduras Guatemala-Nicaragua Guatemala-Costa Rica El Salvador-Honduras El Salvador-Nicaragua El Salvador-Costa Rica Honduras-Nicaragua Honduras-Costa Rica Nicaragua-Costa Rica
Distilled alcoholic beverages	Tariff	Guatemala-Honduras El Salvador-Honduras Honduras-Nicaragua Honduras-Costa Rica
Rum	Tariff	Guatemala-Honduras El Salvador-Honduras Honduras-Nicaragua Honduras-Costa Rica
Leave tobacco	Import control	Guatemala-Costa Rica El Salvador-Costa Rica Honduras-Costa Rica Nicaragua-Costa Rica
Cigarettes	Tariff	Guatemala-Costa Rica El Salvador-Costa Rica Honduras-Costa Rica Nicaragua-Costa Rica
Matches	Import control	Nicaragua-Costa Rica

Non-tariff barriers to intra-regional trade still exist, but are slowly being dismantled. Recent actions include simplifying the border crossing procedure, eliminating certain phytosanitary

requirements and developing a uniform document for cross-border transactions. Some of the more significant remaining barriers include

Non-tariff Barriers to External Trade

According to the U S Government report on trade barriers, the region still maintains a significant number of non-tariff barriers. These include the following

- in **Costa Rica**, market opening to agricultural imports is hindered by the government's concern that prices of certain staple goods may increase as restrictions are removed,
- in **El Salvador**, arbitrary sanitary restrictions on poultry restrict market access as do agricultural price bands for basic grains,
- in **Guatemala**, product labeling and registration laws restrict the entry of new products due to the time required for product registration and testing and a tariff rate quota protects local poultry producers from import competition,
- in **Honduras**, sanitary and phytosanitary restrictions deny market access for chicken parts and impede imports of rice and corn, as does the existence of agricultural price bands, and
- in **Nicaragua**, a price band on yellow corn, sorghum, rice and soybeans restricts market access

Other Free Trade Agreements

Central America has expressed an interest in negotiating free trade agreements not only with the U S , Canada and Mexico, but also with a range of other regional partners, either individually or as sub-regional groupings. Costa Rica, for example, negotiated a free trade agreement with Mexico that came into effect January 1, 1995. Although Mexico would like to use this agreement as a model for future negotiations with the Northern Tier (Honduras, Guatemala and El Salvador), the Costa Rica-Mexico agreement is not generally perceived to be a good basis for future negotiations, since it contains restrictive rules of origin and other conditions that the Northern Tier is not willing to except. The Mexican financial crisis has stalled ongoing trade talks with the Northern Tier, but they are expected to resume once the Mexican economy has stabilized

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Annex J
Page 1 of 4

Supporting Illustrative Budget I
Intellectual Property

Description	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
		+10%	+10%			
A Dept of Commerce PASA*	135 567	146 111	157 708	73 742	36 871	550 000
1 Salaries (3 months)	17 500	19 250	21 175	16 382	8 191	82 497
2 Benefits @ 20%	3 500	3 850	4 235	3 276	1 638	16 500
3 Travel 10 @ \$5000	50 000	55 000	60 500	30 000	15 000	210 500
4 Miscellaneous @ 10%	7 100	7 810	8 591	4 966	2 483	30 950
5 Overhead @ 35%	27 335	30 069	33 075	19 118	9 559	119 156
6 Travel tours to U S	30 132	30 132	30 132	0	0	90 396
B Agreement/Contract	108 056	142 985	153 906	165 919	179 134	750 000
		+10%	+10%	+10%	+10%	
1 Technical Assistance	70 950	78 045	85 850	94 434	103 878	433 157
a Sal/Ben - 9m @ \$4500	40 500	44 550	49 005	53 906	59 296	206 757
b Travel - 24 @ \$1000	24 000	26 400	29 040	31 944	35 136	122 522
c Miscellaneous @ 10%	6 450	7 095	7 805	8 585	9 443	32 928
2 International Experts	16 335	17 969	19 765	21 742	23 916	99 727
a Salary 5m @ \$7000/m	3 500	3 850	4 235	4 659	5 124	21 368
b Travel 2 @ \$5000	10 000	11 000	12 100	13 310	14 641	61 051
c Direct Costs @ 10%	1 350	1 485	1 634	1 797	1 977	8 242
d Miscellaneous @ 10%	1 485	1 634	1 797	1 977	2 174	9 066
3 Training (6 sem/yr)	20 771	21 971	23 291	24 743	26 340	117 116
a Documents @ \$2000/sem	12 000	13 200	14 520	15 972	17 569	73 261
b Logistical support @ \$8771/year	8 771	8 771	8 771	8 771	8 771	43 855
4 Audits @ \$25 000 each	0	25 000	25 000	25 000	25 000	100 000
TOTAL	243 623	289 095	311 614	239 661	216 005	1 300 000

DOL PASA

In year 4 technical assistance is reduced to 2 person-months and trips to 6 per year
In year 5 technical assistance is reduced to 1 person-month and trips to 3 per year

International Experts

10% of salary/travel costs is budgeted for direct costs such as insurance communications photocopying and couriers and postage

Training

\$8 771 is included annually for logistical support for the IPR seminars
Six seminars are planned per year The logistical support would cover communications and administrative support required to organize the seminars The budget assumes that a local organization will provide the seminar space as part of their counterpart contribution and that each seminar participant will pay their own way to the seminar

Audits

If a contract is awarded rather than a grant to implement this component the audit funds will be added to the technical assistance line item

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Supportive Illustrative Budget II
Labor Harmonization

Description	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
I Technical Assistance	0	131 120	144 232	158 655	174 521	608 528
A Regional Experts	0	90 200	99 220	109 142	120 056	418 618
1 Sal/Ben @ \$6000/mo *12m	0	72 000	79 200	87 120	95 832	334 152
2 Travel @ \$1000/trip*10	0	10 000	11 000	12 100	13 310	46 410
3 Miscellaneous @ 10%	0	8 200	9 020	9 922	10 914	38 056
B International Experts	0	40 920	45 012	49 513	54 465	189 910
1 Sal/Ben @ \$8600/mo	0	8 600	9 460	10 406	11 447	39 913
2 Travel @ \$5000/trip	0	10 000	11 000	12 100	13 310	46 410
3 Miscellaneous @ 10%	0	1 860	2 046	2 251	2 476	8 632
4 Overhead @ 100%	0	20 460	22 506	24 757	27 232	94 955
II Training	0	217 390	101 694	101 694	195 694	616 472
A Regional Fora	0	217 390	101 694	101 694	195 694	616 472
1 Part Travel @ \$2000/trip	0	120 000	48 000	48 000	132 000	348 000
2 Expert Trav @ \$5000/trip	0	30 000	20 000	20 000	30 000	100 000
3 Misc logistics	0	67 390	33 694	33 694	33 694	168 472
III Audits	0	0	25 000	25 000	25 000	75 000
GRAND TOTAL	0	348 510	270 926	285 349	395 215	1 300 000

Technical Assistance - Regional Experts

In the first year one year of assistance is included In the second year
nine months of TA is included

Training

Under this component funds have been included for travel for conference participan
It is estimated that a larger forum will be held in years 2 and 5 for 100
participants Funds are also included for logistical support such as
renting space translators communications and document reproduction More funds
are included for the first year assuming that it will be more difficult to get
counterpart support for the first seminar

The estimates show two regional fora per year

Supportive Illustrative Budget III
Investment Climate

Description	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
I Technical Assistance	0	214 280	120 450	132 495	145 745	612 970
A International Experts	0	214 280	0	0	0	214 280
1 Sal/Ben @ \$8600/mo	0	77 400	0	0	0	77 400
2 Travel @ \$5000/trip	0	20 000	0	0	0	20 000
3 Miscellaneous @ 10%	0	9 740	0	0	0	9 740
4 Overhead @ 100%	0	107 140	0	0	0	107 140
B Regional Experts	0	0	120 450	132 495	145 745	398 690
1 Sal/Ben @ \$5000/mo	0	0	55 000	60 500	66 550	182 050
2 Travel @ \$1000/trip	0	0	18 000	19 800	21 780	59 580
3 Miscellaneous @ 10%	0	0	7 300	8 030	8 833	24 163
4 Overhead @ 50%	0	0	40 150	44 165	48 582	132 897
II Training	0	0	87 030	0	0	87 030
A Six National Workshops	0	0	87 030	0	0	87 030
1 Expert Trav @ \$5000/trip	0	0	60 000	0	0	60 000
2 Logistical support	0	0	27 030	0	0	27 030
GRAND TOTAL	0	214 280	207 480	132 495	145 745	700 000

Estimates for logistical support assume that local counterparts will provide space and most of the arrangements required for the seminars

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Supporting Illustrative Budget IV
Trade Liberalization

Description	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
=====						
I Technical Assistance	0	39 600	321 140	353 254	388 580	1 102 574
=====						
A International Experts	0	0	241 940	266 134	292 748	800 822

1 Sal/Ben - 8m @ \$8746	0	0	69 973	76 970	84 667	231 610
2 Travel @ \$5000/trip	0	0	40 000	44 000	48 400	132 400
3 Miscellaneous @ 10%	0	0	10 997	12 097	13 307	36 401
4 Overhead @ 100%	0	0	120 970	133 067	146 374	400 411

B CA Experts	0	39 600	79 200	87 120	95 832	301 752

1 Sal/Ben- 12m@\$4000	0	24 000	48 000	52 800	58 080	182 880
2 Travel @ \$2000/trip	0	12 000	24 000	26 400	29 040	91 440
3 Miscellaneous @ 10%	0	3 600	7 200	7 920	8 712	27 432
=====						
II Training	0	55 683	60 783	66 393	72 567	255 426
=====						
A Reg Seminars/Workshop	0	25 000	27 500	30 250	33 275	116 025

1 Speaker Travel/Fees	0	25 000	27 500	30 250	33 275	116 025

B Seminar Participation	0	30 683	33 283	36 143	39 292	139 401

1 Conf fees @ \$5000	0	10 000	11 000	12 100	13 313	46 413
2 Travel @ \$8000/each	0	16 000	17 600	19 360	21 296	74 256
3 Misc @ \$4683 /yr	0	4 683	4 683	4 683	4 683	18 732
=====						
III Audits	0	0	25 000	25 000	25 000	75 000
=====						
GRAND TOTAL	0	95 283	406 923	444 647	486 147	1 433 000
=====						

Under the regional technical assistance component 6 months of TA are estimated for year two

Under the training component the participation of a speaker is envisioned in 2 seminars per year

In addition funds are included to send two regional representatives per year to participate in related conferences or seminars

**SUMMARY OF BILATERAL MISSION COMMENTS
ON REGIONAL TRADE POLICY PROJECT**

FROM MEETING IN SAN SALVADOR MARCH 27th

General Comments

USAID/El Salvador Concern because there is a divergence between project components and Lizano's identification of regional priorities (i.e. infrastructure, macroeconomic stability)

USAID/Costa Rica Need to explain the benefits and value added of a regional approach. It doesn't come across too clearly in the project paper. Mention in the constraints section all of the problems mentioned by Lizano but note that some are being addressed by other donors and/or on a national level.

USAID/Nicaragua Should explain that the regional project will not only not duplicate Mission bilateral activities but will coordinate with them. Nicaragua is working in most of the project areas, except IPR.

USAID/W/LAC Should consider possibility of doing study on need to invest in human capital in the region as a way to get the region ready for free trade. The document reads like the U.S. policy agenda for the region.

USAID/W/LAC Should include small business assistance in PP (once it's clear what the new USAID initiative is in this area).

Project Management

USAID/Costa Rica/USAID/Nicaragua Management costs seem high and the project seems to be management intensive. The Mission should consider other ways to implement it, such as through an umbrella agreement.

Investment Protection

General Most countries already have extensive studies of their investment climates. The Missions agreed to send USAID/G-CAP copies of these studies. USAID/G-CAP will include a matrix in the project paper showing where each country is on key investment protection policies.

USAID/El Salvador Should focus on protection of all and not just foreign investment or else it looks like U.S. agenda. Other issues that could be considered are letting the private sector participate in Costa Rica's banking sector and working on the regulatory framework for

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electricity and expanding the Salvadoran model to other countries. Couldn't we use the project to transfer models/best practices in telecommunications and electricity to other countries? We should not use the bilateral investment treaty as a point of comparison.

USAID/Nicaragua Why doesn't the Mission do an in-depth analysis of investment codes now as part of project development and not as part of the project?

USAID/Costa Rica Should broaden it to focus on foreign and domestic investment

Intellectual Property Rights

USAID/Costa Rica The Costa Rican Mission is working with the GOCR and the Embassy on the creation of a Costa Rican patent and trademark office. Could the regional project help with consumer protection laws? (Note this is outside of the project scope and not really related to IPR.)

USAID/Nicaragua The Nicaragua Mission is most interested in this component and could use some technical assistance to develop legislation and enforcement mechanisms.

Labor Harmonization

General Send terms of reference from labor study to Missions and let them know who the labor representative is on the study from each country.

USAID/El Salvador Make sure that the consultant has a copy of the previous study that was done in El Salvador.

USAID/W/LAC Question on relevance of labor to future free trade agreements. Need to look at the role of government in labor issues and the role of labor inspectors. Another aspect is the discrimination against women and the indigenous found in labor codes. The World Bank did a study last year on labor codes in some Latin American countries.

USAID/El Salvador The labor codes in the region are too complex. The ILO helped Panama create a very complex labor code that can not be enforced. We should look at Sebastian Edwards book where he mentions labor codes.

USAID/Nicaragua Suggestion that once the study is done, the Mission use that to develop follow-on activities and determine exactly what kinds of assistance would be involved. (Note that is the approach USAID/G-CAP will take. This will be re-emphasized in the project paper.)

Trade Liberalization

USAID/El Salvador Need to focus first on getting rid of internal non-tariff barriers in the Central American region. Focus on non-tariff barriers to agricultural trade because of its importance to the regional economy.

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COMMENTS ON DRAFT PROJECT PAPER

USAID/San Salvador

- Need to do economic and stakeholder analyses
- Question of whether project resources are sufficient enough to have an impact
- PP should be more specific regarding how the project will be implemented and who will benefit
- The activities related to harmonizing the labor code should be dropped
- Should clarify how bilateral USAIDs will be involved in project implementation and how much time they will be required to dedicate to this project, especially given declining human resources

USAID/Costa Rica

- Financial sector integration should be a priority
- A mechanism should be set up to get technical input at the national level from a representative other than the Minister of Economy
- The Mission should consider including conditionality that the national legislatures approve the policy reforms promoted under the project
- A better strategic objective indicator would be increased foreign investment, rather than exports and intraregional trade

USAID/Honduras

- A project advisory group should be established in each country, in addition to the yearly meetings with Ministers, to discuss project progress, these groups should include a USAID bilateral Mission representative as well as key public and private sector leaders
- IPR legislation activities will be of limited value in Honduras
- In the labor area, it is not clear what the project will do The emphasis should be on enforcement at the national level
- Non-tariff barriers are a difficult issue
- The Mission should consider whether an investment policy framework baseline study is required due to the existence of country commercial guides
- Honduras will already have many legislative changes in place before the project starts

**SUMMARY OF PARTNERS' COMMENTS ON
REGIONAL TRADE POLICY PROJECT**

Edward Lizano, Costa Rican economist and former Central Bank President

- should look at supply as well as demand issues
- should include quality control standards
- skepticism on viability of labor component since it is politically sensitive issue
- should look at problems related to agricultural imports
- should allow for approach from regional or sub-regional level

Central American Monetary Council

- should include activities relating to free movement of capital and regional integration of financial services, such as harmonization of banking norms and stock market regulations
- should also consider coordination of macroeconomic policies, which the CAMC is working on

Central American University Council (CSUCA)

- should include activities to foster recognition of degrees, professionals and education accreditation for higher education in Central America
- should include activities to promote stronger relationships between the productive and university sectors in Central America

Federation of Central American Chambers and Industrial Associations (FECAICA)

- should include human resources development for all levels
- should work on simplifying government processes
- should improve infrastructure as well as the quality and cost of public services
- should promote lines of credit at competitive interest rates to promote industrial modernization and reconversion
- should put in place dynamic policies related to trade negotiations and opening of new markets for exports
- should work on establishing legal framework for infrastructure investment
- should include business sector in administration of trade liberalization policies, such as safeguards, anti-dumping and dispute resolution

Confederation of Labor Unity of Guatemala (CUSG) - includes opinions of Central American Labor Confederation (CTCA)

- should actively take into account views of organized labor in project development
- should be careful on reducing tariff barriers too quickly without protection for employer and workers
- would like more information on investment protection and intellectual property rights to ensure that these forms of protection are not turned into ways to abuse workers or damage other sectors

- support harmonized labor code, but should make sure harmonization does not lead to reduction in protection of workers' rights

Central American Development Coordination Commission (CADCC/CCDCA)

- should involve civil society in dialogue about the project
- should design a strategy for coordination among regional institutions

Costa Rican Coalition for Development Initiatives (CINDE)

- before beginning project activities, should develop clear understanding of each country's tariff and non-tariff barriers to intra and extra-regional trade as well as an inventory of existing bilateral free trade agreements
- should develop database of information on legal and regulatory framework for trade in each country relating to anti-dumping, countervailing duties, safeguards, dispute resolution mechanisms and rules of origin
- the exchange regime of each country should also be analyzed, particularly taking into account the poor experience with the Compensation Chamber
- should also understand each country's framework for foreign investment
- based on these analyses, should develop a strategy for reducing tariff and non-tariff barriers that could be followed by each country when they were ready
- should promote entrepreneurial culture in each country, removing government disincentives to production and increasing access to technology
- should evaluate the service sector to ensure that it is developed enough to meet increased demand for consulting services, maintenance, software, real estate, publicity etc that will come with greater production
- should revise activity selection criteria to allow work on individual country issues, not require pre-existing government support and not require sustainability, since sustainability has not been adequately defined

Centro de Investigaciones Economicas Nacionales (CIEN)

- should focus on accelerating opening of the economy
- should define which regional institution will support economic integration
- should support harmonization of macroeconomic policies, looking at the common external tariff, investment policies, labor codes and environmental protection
- should support privatization of electricity and telecommunications, restructuring of customs, modernization of ports and airports, increasing investment in infrastructure, development of agricultural and industrial sectors and strengthening of financial sector

Confederacion de Cooperativos del Caribe y Centro America

- should consider modernization and reconversion of small businesses

International Cooperative Alliance

- should consider competitiveness issues such as privatization, infrastructure, modernization of the state and productive reconversion

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- should encourage greater regional economic integration
- should reduce dependence of Central American economies on tariffs

STATUS OF RESPONSES TO THE PROJECT

Organization	Date of Response	Letter thanking response
FECAICA	3/28/95	4/6/95
COSEP	3/30/95 Comments to be sent	4/6/95
CINDE	4/3/95	4/6/95
MOL/Guatemala		
Central de Trabajadores de Panamá		
FEDEPRICAP		
ICAP		
SECMCA	3/27	4/19
ICIC		
SG-SICA	3/24	4/19
Central de Trabajadores Costarricenses		
SIECA		
BCIE	4/6/95 Comments to be sent	4/7
Central de Trabajadores de Honduras		
Asociación General de Empleados Públicos y Municipales de El Salvador		
CSUCA	4/4	4/19
FECAICA		

Organization	Date of Response	Letter thanking response
CIEN	5/2	5/5
ASIES		
FUSADES - ANDE		
FIDE		
Banco Central de Costa Rica		
CADCC	4/6	4/19
ALIANZA COOPERATIVA INTERNACIONAL	6/6	6/8
COMITE CENTROAMERICNO DE COORDINACION INTERSECTORIAL (CACI)	5/18 Comments to be sent	5/19
Confederacion de Unidad Sindical (CUSG)	4/26	5/3

**Illustrative Chart
Relationships of USG agencies to Regional Trade Policy Project**

FREE TRADE AGREEMENT ACCESSION REQUIREMENT	POLICY LEAD	TECHNICAL ASSISTANCE / TRAINING
Intellectual Property Rights	USTR Patent and Trademark Office Department of State	Regional Trade Policy Project (Patent and Trademark Office)
Investment Policy Framework	USTR Department of State	Regional Trade Policy Project
Labor Rights	USTR Department of Labor	Regional Trade Policy Project
Environmental Policy Framework	USTR Environmental Protection Agency	PROARCA (Environmental Protection Agency)
Sanitary/Phytosanitary Standards	USTR Federal Drug Administration	Regional Trade Policy Project (possibly)
Other Trade Liberalization Measures	USTR	Regional Trade Policy Project in cooperation with relevant USG agencies