

WORKING P A P E R S

STRENGTHENING LINKAGES BETWEEN U.S. TRADE POLICY AND ENVIRONMENTAL CAPACITY BUILDING

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ABBREVIATIONS

ALIDES	Alliance for Sustainable Development
CAFTA	Central American Free Trade Agreement
CCAD	Central American Commission on the Environment and Development
CONCAUSA	Joint Central American-U.S.A. Declaration
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EPA	United States Environmental Protection Agency
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
IDB	Inter-American Development Bank
LDC	Least developed country
LAC	Latin America and Caribbean
NGO	Nongovernmental organization
OAS	Organization of American States
OECD	Organization for Economic Cooperation and Development
PROALCA	Program Supporting Central American Participation in the Free Trade Area of the Americas
PROARCA	Regional Environmental Program for Central America
SICA	Central American Integration System
SIECA	Secretariat for Central American Economic Integration
SME	Small and medium enterprise
TCB	Trade Capacity Building
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
USAID	United States Agency for International Development
USTR	United States Trade Representative
WTO	World Trade Organization

INTRODUCTION

ATTENTION TO TRADE-RELATED TECHNICAL ASSISTANCE and capacity building (TCB) has surged as people from all walks of life explore how the global trade regime can be structured to better promote equitable, sustainable human development. TCB strengthens developing countries' human, physical, and institutional capacities to participate in trade negotiations, implement trade commitments, and benefit from integration into the global trading system. Given the Bush administration's goal to "ignite a new era of global economic growth through free markets and free trade,"¹ capacity building has become an important component of U.S. bilateral, regional, and multilateral trade negotiations.

This paper specifically examines U.S. efforts to work with its trading partners in building their trade-related capacities for environmental protection and sustainable development. We find it is challenging to translate good intentions into effective policy, especially as U.S. government agencies, Congress, and members of civil society work to keep technical assistance programs apace with the rapid advance of trade negotiations. U.S. agencies have made significant organizational progress to meet current capacity-building commitments and are taking some positive steps to encourage U.S. trading partners to reach out to domestic constituencies on trade issues. However, before U.S. trade capacity building assistance can be better targeted to improve people's lives through trade, the United States and its trading partners must address a number of weaknesses in the current approach to trade-related technical assistance.

First, TCB provided must be broadened to include trade-related social and environmental infrastructure, which is vital to making broad improvements in living standards. To date most U.S. trading partners in the developing world have defined their TCB priorities in relatively narrow trade and economic terms. They have requested TCB to better negotiate and implement trade agreements and to increase their economic competitiveness, including in their small and medium enterprise (SME) and rural sectors. Effective assistance in these areas is essential, but so is adequate environmental and human health protection. In many poor countries, for example, the lack of adequate wastewater and solid-waste collection and treatment are major causes of environmental degradation, public health problems, and reduced quality of life. As free trade expands total economic activity and industrialization, the generation of greater volumes and more hazardous waste puts even more pressure on the environment, especially in areas where economic activities and people become concentrated.² U.S. policy provides the opportunity to link trade agreements with cooperation commitments to help poor countries tackle such basic sustainable development needs. Responsibility for formulating and prioritizing needs for capacity building ultimately rests with developing country recipients, but the United States can and should do more to explain the key opportunity TCB offers to forge positive linkages among trade, environment, and development.

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Second, if capacity building is to promote good governance, then U.S. trade negotiators must adopt less ambitious negotiating schedules. It is irresponsible to suggest that poor countries with little or no history of democratic rule can identify technical assistance needs, define trade positions, and engage in a public debate in time to complete fast-paced trade negotiations. Furthermore, suggesting that such progress toward democracy can be made so quickly actually undermines legitimate efforts to use trade negotiations to promote good governance. Nowhere is the mismatch between the pace of governmental reform and that of trade negotiations more apparent than in the Central American Free Trade Agreement (CAFTA) talks between the United States and five Central American governments.

Likewise, the United States should increase transparency in TCB. Although trade negotiations are confidential, parallel deliberations to forge cooperative approaches to environmental and human health protection, as well as to define and meet TCB demands, are best done with full public participation.

Finally, the multiple layers of U.S. government agencies responsible for developing trade-related capacity building proposals create a maze of competing interests, cultures, and policy priorities. The desirability of trade agreements creates opportunities, which otherwise would not have occurred, to link economic integration with environment and development objectives. That said, given the emphasis on “trade-led” development, political linkages between technical assistance and trade negotiations assistance can focus primarily on short-term commercial interests, to the neglect of environmental and social objectives that will make development sustainable over the long term.

The United States and its developing country trading partners can and should expect trade agreements to result in tangible benefits for the world’s poor. Access to global markets must be coupled with the capacity to sell value-added products. Trade liberalization also must be supported by sound domestic institutions, good governance, legal and administrative reform, worker protections, and social safety nets. In addition, increased economic activity must be managed to maintain, and where possible enhance, environmental protection and human health. TCB can support these objectives if the United States will do the following:

- Spell out the benefits and possible scope of trade-related environmental capacity building. Only when U.S. trading partners clearly understand this linkage can they be expected to make requests for TCB assistance that will support a proactive trade-environment-development agenda.
- Fully integrate trade-related aspects of environment and development into U.S. capacity-building initiatives. First, the United States should add environment and development assistance to the rapid response teams of technical assistance providers who help developing countries prepare for and negotiate trade agreements. U.S. officials also need training to convey why the United States believes that building environmental capacities is critical to fostering sustainable, trade-led growth.
- Empower low-income countries to learn by doing by involving local experts in technical assistance projects. There are many competent people in developing countries who have experience with trade-related environmental issues. Employing them, and not just U.S.-based contractors, is a preferred approach to sustainable TCB.

- Ensure adequate, timely, and regular funding. TCB is not like trade negotiations where you define your objectives, bargain to reach a solution, then move on to other matters. TCB is a long-term, energy-intensive effort requiring sustained financial support. Given limited resources, the United States should redouble its efforts to coordinate its assistance with other donors, including governments, intergovernmental organizations, the private sector, and nongovernmental organizations (NGOs).
- Make technical assistance and capacity-building deliberations more transparent. TCB does not involve “trade secrets,” and should not be subjected to the same kind of secrecy demanded by trade negotiations. More transparent TCB deliberations will also increase the level of public support for the outcomes and perhaps encourage higher levels of TCB assistance from NGOs and the private sector.
- Slow trade negotiations down. To intensify deliberations and push for compromise, trade negotiators often set artificial negotiation deadlines. Although this approach may work for trade, or perhaps between industrialized countries, it is an improper approach if the United States wants to use the process of trade negotiations to foster good governance where it is weak.

In part one, we assert the growing importance of trade capacity building in the international context and review best practices in capacity building for trade, environment, and sustainable development. We then outline the U.S. trade capacity building strategy and mechanisms, narrowing our focus to consider how this assistance supports environmentally sustainable development. In part two, we refine our analysis of U.S. TCB assistance through a case study of ongoing CAFTA negotiations. Part three draws conclusions and provides recommendations from our general examination of trade and TCB, and of the CAFTA experience to date.

PART 1. TRADE CAPACITY BUILDING: RISING ENTHUSIASM, BROAD PROMISES

Following World War II, nations began to acknowledge the importance of technical cooperation and development assistance to help developing countries engage in the global economy. The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to support “the development-friendly integration of developing countries into the world economy . . . [through] integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment, and sustainable development.”³ In support of this mandate, UNCTAD serves as a discussion forum, undertakes policy research and analysis, and in cooperation with other donors provides trade-related technical assistance to developing countries.

Since the November 2001 launch of the World Trade Organization (WTO) Doha Development Agenda, the emphasis on the relationship between trade negotiations and technical assistance has been renewed. At the WTO Doha Ministerial, governments made unprecedented commitments to building developing countries’ capacities to participate in and benefit from international trade.⁴ In 2002, pledges to the WTO’s Doha Development Agenda Global Trust Fund for trade-related technical cooperation also exceeded expectations.⁵ Global funding for TCB reached U.S.\$1.48 billion in 2001, of which the United States provided slightly more than 35 percent.⁶

The *New WTO Strategy* for trade capacity building further emphasizes that poor countries need TCB assistance not only to negotiate and implement trade commitments, but also to help them benefit from integration into the trading system and the global economy.⁷ This broad approach is consistent with the fact that trade liberalization alone does not guarantee benefits for poor nations or poor people. As noted in a TCB background paper prepared for the Organization for Economic Cooperation and Development (OECD):

The growth generated by increased trade and foreign investment is a necessary, though not sufficient, condition for poverty reduction. Efforts to pursue trade capacity must be pursued in the context of a broader development strategy if they are to impact the lives of the poorest people in developing countries. Equitable economic growth from trade requires that investments be made not only in trade reform, but in infrastructure and human capital development, institutional reform, and governance. A comprehensive approach is essential to ensuring that activities in each of these areas [is] mutually reinforcing.⁸

Of course, many aspects of TCB overlap with traditional targets of development assistance. Trade-related assistance should not crowd out international cooperation in basic areas such as education and human health. But as TCB increasingly attracts high-level political attention and funding, coordination of these resources is critical so they can foster a wide array of development objectives related to trade.

The international community recognizes the importance of capacity building to promote positive linkages among trade, environment, and development. Research shows that environmental regulations, institutions, and infrastructure are key factors in determining if free trade will lead to better or worse levels of environmental quality, especially during transitional periods.⁹ The WTO Doha Declaration specifically encourages the provision of TCB for trade and environment. It also calls for sharing expertise on how to conduct national-level environmental reviews of trade policy.¹⁰ The World Summit on Sustainable Development *Plan of Implementation* (2002) likewise supports “efforts to promote cooperation on trade, environment and development, including in the field of providing technical assistance to developing countries.” UNCTAD and the United Nations Environment Programme (UNEP) actively promote international best practices in this area. As we summarize in Appendix 1, TCB processes that are participatory, collaborative, and demand driven can best use and build upon existing capacities, create sustainable approaches, promote good governance, and be cost effective.¹¹

U.S. Trade Capacity Building

The U.S. government takes seriously the relationship between trade liberalization and TCB. The United States is the leading provider of trade capacity building assistance globally,¹² providing most of its assistance through bilateral programs.¹³ Like the international community, the United States uses a comprehensive approach to trade capacity building.¹⁴ Table 1 depicts the substantial and increasing levels of U.S. TCB assistance, across the eleven categories (as listed in Appendix 2) defined by the U.S. government.¹⁵

Trade-related environmental capacity building is integral to overall U.S. TCB. Indeed, in the Trade Act of 2002 Congress gives explicit instructions to negotiate environmental issues into U.S. trade agreements, and to “strengthen the capacity of United States trading partners to protect the environment through the promotion of sustainable development.”¹⁶

Table 1. U.S. Support for Building Trade Capacity (US\$ Millions)

	FY 1999	FY 2000	FY 2001	FY 2002
WTO Awareness and Accession	7.9	12.4	16.4	13.6
WTO Agreements	9.9	38.2	37.6	36.3
Trade Facilitation ^a	67.5	102.5	111.3	167.8
Customs Administration	N/A	N/A	N/A	19.9
E-Commerce & IT	N/A	N/A	N/A	22.6
Export Promotion	N/A	N/A	N/A	31.0
Business Services & Training	N/A	N/A	N/A	74.5
Regional Trade Agreements (RTA)	N/A	N/A	N/A	9.5
Other Trade Facilitation	N/A	N/A	N/A	10.3
Human Resources and Labor Standards	40.9	84.2	132.1	99.7
Financial Sector Development and Good Governance	106.8	64.0	63.0	233.8
Physical & Economic Infrastructure	72.2	50.8	43.2	19.4
Environment Sector Trade and Standards	20.2	29.8	34.5	19.3
Competition Policy and Foreign Investment	19.7	28.7	37.0	28.7
Trade-Related Agricultural Development	37.0	48.5	41.6	84.0
Tourism Sector Development	3.9	2.6	6.1	21.0
Other Services Development	9.2	13.3	21.9	23.6
Governance and Interagency Coordination	18.8	27.7	46.2	33.4
Other TCB	0.5	9.2	7.6	22.3
Total^b	369.1	504.5	598.7	637.8

^a In FY 2002, Trade Facilitation was broken out and is a total of the 6 sub-categories below.

^b Due to rounding, numbers in columns may not sum to totals.

Source: USAID Trade Capacity Building Database Summary Statistics, available at <http://qesdb.cdie.org/tcb/overview.html>.

During the past four years, U.S. government agencies have begun to operationalize these linkages, most of the work occurring during the Bush administration. The U.S. Agency for International Development (USAID) funds over 70 percent of U.S. trade capacity building activities, primarily through country missions allocating funds from the agency's Economic Growth (EG) budget.¹⁷ To guide its growing role implementing and funding U.S. TCB assistance, in November 2002, USAID released a new *USAID Strategy: Building Trade Capacity in the Developing World*. The *USAID Strategy* states that the agency's primary goal for TCB is "to increase the number of developing and transition countries that are harnessing global forces to accelerate growth and increase incomes."¹⁸ To this end, USAID commits to support (1) participation in trade negotiations, (2) implementation of trade agreements, and (3) economic responsiveness to opportunities for trade. The strategy reserves "top priority" for projects expected to help generate local support for trade reforms.¹⁹ It further gives "specific consideration" to a number of subjects, including:

- least developed countries (LDCs);
- the trade aspects of labor, gender, and environment;
- coordination with U.S. agencies and other donors;
- the availability of discretionary economic growth funds; and
- support for multilateral, regional, and bilateral trade negotiations.²⁰

In addition, the USAID Strategy emphasizes the decentralized nature of the agency's work, instructing that "most USAID TCB projects will be conceived and managed in the field."²¹ It states that TCB priorities will be set at both agency-wide and country-mission levels. At a global level, incremental resources will be prioritized to support TCB in (1) reform-minded LDCs; (2) other reform-minded, low-income countries whose growth is expected to have broad regional benefits; and (3) countries that can play a key role in advancing U.S. trade liberalization initiatives. Meanwhile, "the selection and prioritization of TCB activities at the country level will continue to be determined by missions' strategic plans and resources,"²² linked to the agency's priorities for economic growth and poverty reduction.

TCB and U.S. Trade Negotiations

While many trade capacity-building projects are developed by field-based officials, TCB also has become an important part of overarching U.S. trade policy development and negotiation. In one form or another, the United States has included TCB as part of its trade policy agenda since the North American Free Trade Agreement (NAFTA) negotiations. The United States has made commitments to trade capacity building in the WTO, in regional trade bodies like the Free Trade Area of the Americas (FTAA) and the Asia-Pacific Economic Cooperation forum, and in negotiations on bilateral free trade agreements.

Federal agencies have responded by organizing multilayered processes that aim to integrate ongoing technical and development assistance with TCB needs that may arise during specific trade negotiations. The Office of the U.S. Trade Representative (USTR) has pursued an especially active role in this respect, appointing a new Deputy Assistant U.S. Trade Representative to spearhead TCB coordination. USTR and USAID's Washington-based Trade and Investment Team in the Bureau of Economic Growth, Agriculture, and Trade co-chair an interagency working group to coordinate general TCB policy.²³ A broad cross-section of U.S. government agencies are invited to the working group's bimonthly meetings, though attendance tends to vary by topic. In addition to this working group, USTR organizes negotiation-specific TCB interagency groups. For example, there is an interagency group to coordinate TCB specific to CAFTA negotiations. For the FTAA negotiations, interagency representatives address TCB within the FTAA Consultative Group on Smaller Economies and the Committee of Government Representatives on the Participation of Civil Society. An agency also may have an internal working group on TCB issues, as is the case at USAID.

In addition, the U.S. Department of State was recently given the lead authority to negotiate, in tandem with U.S. trade agreements, "consultative mechanisms" to enhance the capacity of U.S. trading partners to protect their environment.²⁴ Responsibility for this new authority is coordinated by the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Environmental Policy. This structure responds to the emphasis Congress placed on environmental

capacity building in the Trade Act of 2002. It aims to provide the U.S. government with a flexible means to coordinate medium- to long-term, cooperative approaches to address environmental issues in common with U.S. trading partners.

Progress on Organization: Substance Comes up Short

The multiple, multilayered interagency processes developed to date signal the inherent challenge of integrating the distinct worlds of trade policy and development assistance. U.S. trade negotiations are driven by USTR—a lean, highly centralized agency with a culture steeped in bargaining and problem solving. USTR usually operates under some time constraint that serves to “pressurize” negotiations. In contrast, U.S. development assistance is a relatively decentralized, long-term process. USAID projects tend to percolate up from the field, subject to a timeline shaped by the needs identified by target countries and by USAID’s annual budget request to Congress. Trade negotiations create opportunities for the United States to use the pressure packed circumstances surrounding trade deals to incorporate broader development priorities into negotiations. But when TCB becomes a bargaining chip in trade talks, the risk grows that government officials will accept an outcome that in fact does not provide real technical assistance; in such cases, not only has TCB been modified through give-and-take bargaining, it has also become one of the deliverables used to sell the deal to Congress. It is important that as environment and development goals are integrated into U.S. trade policy, the comparative advantages of USAID, U.S. Environmental Protection Agency (EPA), and other technical assistance providers are not compromised by positions taken by trade negotiators. At the same time, new mechanisms are needed to coordinate the specific needs and rapid pace of trade negotiations with conventional foreign assistance channels.

The *USAID Strategy* states that the agency will need to accelerate TCB delivery and seek additional funding to support the timetables and commitments of U.S. trade negotiations.²⁵ The agency recognizes effective TCB delivery “will require strengthening the trade-related knowledge of field staff, sharpening the trade focus of field programs, and providing technical leadership in the area of best practices.” USAID/Washington has begun to hold trade training sessions for staff, to communicate about ongoing trade negotiations to the field and to develop TCB technical resources and tools. The agency also has introduced new mechanisms to quickly respond to TCB needs, especially for shorter-term negotiation and implementation requests that arise from trade talks (see Appendix 3).²⁶

USAID deserves praise for working toward timely, effective responses to the emerging capacity-building needs of U.S. trading partners. Likewise, USTR merits credit for pressing a broad cross-section of U.S. government agencies to make similar efforts. Because this formalizing relationship is still relatively new, it remains uncertain how these two cultures will mesh. In terms of our specific focus on trade-related environmental capacity building, however, to date a number of gaps in TCB coordination and provision are evident.

First, USAID trade-related training and quick response mechanisms developed to date emphasize commercial concerns and implementation of specific trade commitments, rather than more inclusive sustainable development objectives. Even the broader TCB Task Orders (for example, the Support for TCB Project and the Latin America and Caribbean (LAC) Rapid Response, described in Appendix 3) have not effectively integrated environment and development issues. There are gaps evident in staff education, analytical research, and the availability of incremental resources to support trade-related environmental capacity building.

For example, at a recent training session by the Support for TCB Project, USAID field officers sought additional background on the subject of trade and the environment.²⁷ In an October 2002 report on trade-led development in Mozambique, USAID contractor Nathan Associates did not mention the environment, despite recognizing that “Mozambique is working to attract foreign investment, especially in large-scale projects designed to exploit and leverage the country’s large natural resource base.”²⁸ By contrast, in a more recent assessment of Morocco’s TCB needs, Nathan Associates identified as high priorities an environmental impact assessment and improved enforcement of environmental legislation.²⁹ This important but limited inclusion of environment reflects the environmental commitments and capacity building instructions contained in the Trade Act of 2002. Yet, none of the U.S.-based firms currently hired to implement quick-disbursing TCB contracts have the specific expertise to respond to environment-related TCB needs. The USAID Rural and Agricultural Incomes with a Sustainable Environment partnership (see Appendix 3) evidences an awareness of deeper linkages between environmental management and sustainable rural development, and involves organizations with experience in these areas. Yet this initiative relies solely on funding allocated by field missions.

Comprehensive, integrated TCB mechanisms—designed to enable U.S. trading partners to develop and implement proactive trade-environment-development strategies—are especially necessary precisely because many developing countries continue to mistrust the linking of trade and environment policies. A common and not unfounded suspicion is that rich countries will unfairly use environmental standards to protect politically or economically sensitive sectors.³⁰ To help calm these fears and to build in-country demand for trade-related environmental cooperation, U.S. government officials working abroad need to be educated and empowered to deliver a clear message on the links between trade and environment. That message has not yet been articulated by Washington policy makers.

It would be wrong to over emphasize the role trade-related environmental capacity building should play in trade negotiations. At the same time, trade-related assistance should not crowd out international cooperation and development aid in areas such as basic human health, infrastructure development, and environmental protection. That said, as trade rules have such broad effects on policy, there is a natural tension between efforts to link assistance to trade liberalization and the need to limit the policy burdens placed on trade agreements.

Trade capacity building, moreover, is attracting increasing international emphasis, including high-level political attention. To ensure trade negotiations and capacity building indeed support development, it is critical to coordinate TCB resources across the spectrum of trade-related concerns including good governance and environmental protection. The *USAID Strategy* does not clarify how the three prongs of support—participation, implementation, and responsiveness—are to be coordinated with the multitude of “priorities” and “specific considerations” noted. In fact, the strategy highlights the complexities, and at times competing priorities, involved in selecting and implementing TCB activities. Finally, TCB programs will be constrained by available human and financial resources and will compete with alternative uses of those resources. In particular, USAID notes that it is precisely LDCs—countries with the most comprehensive technical assistance needs—that tend to have the least access to the discretionary EG budget funds that support most TCB. To overcome this hurdle, USAID has pledged to explore “the potential for increasing the EG budget to expand capacity building activities and reach priority countries.”³¹ The global experience of the Integrated Framework (IF) for Trade-Related Assistance to Least Developed Countries shows the importance of adequate funding to support LDCs (see Appendix 5).

In our discussion, we have focused our attention on USTR and USAID. These are the lead, but certainly not the only, U.S. government agencies involved in coordinating trade-related technical assistance and capacity building. To better understand how the U.S. government manages its TCB agenda and environmental mandate to support trade negotiations, we turn to a case study of TCB activities in support of the proposed U.S.-Central American Free Trade Agreement.

PART 2. CASE STUDY: TRADE CAPACITY BUILDING AND THE U.S.-CAFTA NEGOTIATIONS

Trade negotiations between the United States and El Salvador, Guatemala, Honduras, Costa Rica, and Nicaragua commenced on January 8, 2003, and are slated to conclude by December 2003. This ambitious timetable is expected to bolster progress on hemisphere-wide negotiations for the FTAA. As stated by U.S. Trade Representative Robert B. Zoellick, the broader goals for CAFTA are equally ambitious:

CAFTA will give Americans better access to affordable goods and promote U.S. exports and jobs, even as it advances Central America's prospects for development . . . This FTA [Free Trade Agreement] will reinforce free-market reforms in the region. The growth stimulated by trade and the openness of an agreement will help deepen democracy, the rule of law, and sustainable development. This agreement will further the regional integration that the Central Americans themselves have begun, and complement our vital work on the Free Trade Area of the Americas.³²

However, relatively weak governance throughout most of Central America raises doubts that trade and investment liberalization will lead to broad-based, sustainable development unless this objective is made a primary goal in negotiations. CAFTA thus provides a key test of U.S. commitment to building broad-based capacity among its trading partners. Recognizing this, the United States is devoting significant resources to CAFTA-related TCB, a process that follows a history of technical assistance to the region.

Regional Technical Assistance and Capacity Building

TCB arising from the CAFTA negotiations should build upon U.S. efforts to work with Central American governments to strengthen their capacity to develop their economies, protect their environments, and promote public health. Because the 1990s brought a period of relative political stability to the region, Central American leaders established in 1994 the Alliance for Sustainable Development (ALIDES), their commitment to transform a war-torn region into peaceful, democratic, prosperous societies managing their resources sustainably. At the December 1994 Summit of the Americas in Miami, the United States became the first extra-regional partner of ALIDES through the Joint Central American-U.S.A. Declaration (CONCAUSA). CONCAUSA is not only a declaration, but also an action plan designed to achieve the objectives of ALIDES: free trade, energy efficiency, coordination of environmental legislation, and protection of biodiversity.³³

USAID established two regional programs to promote CONCAUSA's objectives: the Program Supporting Central American Participation in the Free Trade Area of the Americas (PROALCA) and the Regional Environmental Program for Central America (PROARCA). Since 1995, USAID's

regional Central American Program based in Guatemala has administered PROALCA. Key technical assistance areas have supported trade openness (tariff reduction, implementation of WTO commitments, pursuit of regional and bilateral free trade agreements (FTA), and increased trade); expanded adoption and enforcement of intellectual property laws; labor management relations; and more liberal regulatory frameworks for energy and telecommunications. A significant portion of PROALCA funding is programmed through grants made to the Permanent Secretariat for Central American Economic Integration (SIECA), a regional institution that is part of the Central American Integration System (SICA).³⁴ SIECA works with USAID to establish a work plan, which is approved by each country's economics ministry. Projects are also implemented by the U.S. Federal Trade Commission, U.S. Department of Justice, and U.S. consulting firms such as Hagler Baily, PA Consulting, and CARANA Corporation.³⁵ Financial support for Phase I of PROALCA totaled \$18 million from 1995 through September 2002. In Phase II, USAID recently requested significantly increased funding and added a focus on CAFTA.³⁶

The USAID regional mission in Guatemala also administers PROARCA. Beginning in 1996, PROARCA has supported CONCAUSA and the agenda of the regional Central American Commission on the Environment and Development (CCAD), another SICA institution.³⁷ Specifically, PROARCA works to “(1) improve protected area management; (2) increase access to financial resources and expanded markets for environmentally sound products and services; (3) harmonize environmental standards and regulations; and (4) increase the municipal and private sector use of less polluting technologies.”³⁸ The CCAD, EPA, The Nature Conservancy, and World Wildlife Fund are leading implementers of PROARCA. Since 2001, the project has been funded at over \$6 million annually.³⁹

The U.S. Department of State's environmental hub in Costa Rica also works to align Central America with the United States on environmental issues, and other U.S. government agencies provide additional support to CONCAUSA.⁴⁰ But in terms of aggregate U.S. trade capacity building, assistance to the region follows these general trends: most funding is provided by USAID and the U.S. Department of Labor, with a significant portion managed through USAID regional and country missions.⁴¹

Trade Capacity Building and CAFTA: The State-of-the-Art in U.S. Practice

The announcement of formal trade negotiations with the five aforementioned Central American countries garnered additional prominence for U.S. trade-related technical assistance to the region. In conjunction with the launch of CAFTA talks, the Bush administration announced a fiscal 2003 budget request of \$47 million in U.S. trade capacity building assistance for Central America—a 74 percent increase over fiscal 2002 funding.⁴² The USAID fiscal 2004 *Congressional Budget Justification* explicitly mentions targeting resources to support the CAFTA process, and missions in Nicaragua, Honduras, El Salvador, and Guatemala requested significant TCB funding to capture the benefits from the proposed agreement.⁴³ USAID further emphasizes the new “Opportunity Alliance,” an initiative launched by President Bush in 2002 to help Central American countries and Mexico tackle key barriers to competitiveness by building trade capacity, diversifying the rural economy, and improving disaster preparedness and environmental management.⁴⁴

Recognizing its resources alone are insufficient to meet TCB needs associated with CAFTA, the U.S. government has also established new mechanisms to coordinate TCB delivery. Spearheading

this overall effort, USTR leads a Trade Capacity Building Working Group of government and donor representatives. Created in 2002, this non-negotiating cooperative group now meets in parallel with each session of official CAFTA talks. Multilateral participants include the Inter-American Development Bank (IDB), the World Bank, the Organization of American States (OAS), the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), and the Central American Bank for Economic Integration. Working Group meetings allow donors and countries to discuss themes and also to leverage resources, for instance, by directing existing assistance to specific TCB priorities.

To guide the TCB Working Group, USTR encouraged Central American governments to prepare National Action Plans for Trade Capacity Building.⁴⁵ CAFTA countries were assisted by various donors in developing these plans and subsequent 90-day priority lists for TCB.⁴⁶ The IDB assisted Costa Rica and Nicaragua; ECLAC worked with Guatemala; OAS with El Salvador; and USAID supported Honduras through the LAC Rapid Response contract with CARANA Corporation.

In addition, USTR has extended TCB coordination to include private sector and civil society partners. In May 2003, USTR and USAID issued a *Federal Register* notice inviting NGOs, corporate sponsors, and private foundations to volunteer self-funded TCB assistance in support of CAFTA, subject to (1) priorities set by Central American countries in their national strategies; (2) coordination efforts of the U.S. interagency Trade Capacity Working Group; and (3) consistency with U.S. government policy.⁴⁷

Separate from the general TCB Working Group, the United States relies upon the CAFTA intergovernmental negotiating group on environment and labor to develop a framework and priorities for environment. Positions under discussion remain confidential, but it is widely assumed that the United States is basing its proposals on the language pertaining to environmental issues found in the U.S.-Chile Free Trade Agreement. This text calls for trade disciplines that encourage enforcement of national environmental laws and a commitment to broad public participation in the administration of the agreement itself, and it includes terms to promote cooperation and environmental protection.⁴⁸ At the time of this writing, countries have not yet agreed to establish a mechanism for environmental cooperation within the main text of CAFTA or via a separately negotiated environmental cooperation agreement.⁴⁹ Although USTR oversees the overall negotiations over the language on the environment, it works with the U.S. Department of State to orchestrate environmental capacity-building discussions pertaining to the environment. The U.S. Department of State envisions several coordinating roles for the new mechanism for promoting cooperation on the environment, which it seeks to establish: providing a forum for communication, establishing a work plan to raise the profile of priority areas, and leveraging resources for environmental capacity building. The U.S. Department of State does not expect that the mechanism will have its own budget to fund or implement projects.

Lessons from TCB in Action

To date, the ALIDES framework, in conjunction with several ongoing TCB projects, provides a sound basis to build on. These efforts clearly are not yet sufficient, however, for regional environmental capacity to keep pace with expanding trade and economic activity.

Through the USAID-funded PROARCA, EPA has assisted Central American countries in developing adequate and appropriate environmental laws. This began in 1995, just after the Summit

of the Americas. EPA also works to strengthen environmental enforcement capacity in the region—for instance, by sponsoring train the trainer seminars—and to promote indigenous knowledge and build regional networks on environmental law. Over eight years and working in close collaboration with the CCAD, progress is evident. All countries in the region now have environmental legislation and ministries of the environment. Since 1998, the environment also has been included as a primary topic of discussion at every Central American presidential summit. Nonetheless, national legal frameworks for environmental protection may still be lacking, and it is widely acknowledged that none of the Central American countries have the capacity to effectively enforce their existing laws and regulations. Clearly, environmental capacity building is a long-term process based on mutual cooperation and trust, which can be promoted by building lasting relationships between institutional partners.

Another key step in the PROARCA process was a 1996 Comparative Risk Assessment (CRA) of the region's most severe pollution problems, undertaken by the CCAD and USAID through a USAID/Washington environmental technical assistance contract.⁵⁰ This analysis found that wastewater, solid waste, pesticides, and air pollution were the region's most severe pollution problems, "particularly with regard to contamination of surface water, groundwater, soil, food products, and air. This contamination has in turn damaged human health and ecosystems, reduced the quality of life, and impacted the economies of the countries in the region."⁵¹ In turn, PROARCA further promotes cleaner production methods, wastewater and solid-waste management, sound management of pesticides, and environmental certification programs for agricultural products, wood, and eco-tourism. Current funding levels, however, constrain the reach of some of these activities. For instance, waste management is limited to demonstration projects under PROARCA. To develop broad and adequate environmental infrastructure that can manage intensifying economic activities and improve quality of life in the region, the CAFTA countries will require significantly greater resources. Most governments, however, did not identify this need in their National Action Plans for TCB. The United States and other donors should nonetheless begin working now with regional experts to approximate such needs. For comparison, the EPA estimates that as part of U.S. efforts to implement NAFTA, \$8 billion—a mix from federal, state, local, and private-sector funding—will be required to adequately protect public health and the ecosystem along the U.S.-Mexico border.⁵²

Newer initiatives have begun to work toward building capacity in Central America specifically to assess the environmental effects of trade agreements and to develop appropriate policy alternatives. Supported in part by USAID funding, the Environmentally Sustainable Trade Project coordinated through the Organization of American States Inter-American Forum on Environmental Law (OAS/FIDA) has organized a basic, collaborative environmental impact assessment of FTAs in several South American countries. In January 2003, the project expanded its work to include Costa Rica and Guatemala; if funded, it may be extended to cover the other CAFTA countries. The EPA is also developing a train the trainer course on environmental reviews, scheduled to be ready by fall 2003.⁵³

A review from an environmental perspective of trade policy can be a positive tool to stimulate rigorous thinking on expected effects and policy alternatives, promote dialogue, raise the visibility of environmental concerns, and produce a sophisticated needs assessment to bring to donors. Yet such an assessment takes time to prepare and apply effectively, especially in countries new to the process. Although the United States announced the initiation of its environmental review process for CAFTA in late November 2002, its trading partners have not begun any type of environmental review for the agreement, despite U.S. encouragement to do so.⁵⁴ The OAS/FIDA coordinated

assessments in Guatemala and Costa Rica are an important step, though it is not yet clear whether these governments will be willing or able to consider this work in time for it to inform CAFTA negotiations. If governments are unable or unwilling to undertake their own environmental reviews of trade policy, it is appropriate and important for donors to support in-country experts to conduct such research, to inform environmental TCB activities.

Finally, to complement an environmental review process, intergovernmental coordination and public consultation are critical to developing sound policy on trade and environment. Resources to strengthen public outreach in the CAFTA process are available through the PROALCA program, the USAID/Washington LAC Rapid Response contract with CARANA Corporation, and USAID country missions. To date, TCB funds have supported specific publications, public seminars, and consultations, as well as technical assistance on the design of country-level public outreach strategies. USTR has coordinated some opportunities for Central American and U.S. officials to better understand the U.S. public outreach mechanisms and Trade Advisory Committee System. These efforts complement activities by CAFTA governments and SIECA and, according to CARANA Corporation, have supported significant progress in developing formal and informal mechanisms to facilitate public involvement in the region. However, governments have paid varying levels of attention to informing their constituents about the available opportunities for public participation. Moreover, many stakeholders will not intuitively know how to respond, especially in countries where recent history has been characterized by government repression. To help facilitate a genuinely participatory process, TCB must be extended to support transparency and public participation legislation, as well as ongoing capacity building for citizens.⁵⁵

Assessing the CAFTA Approach

The U.S. government has taken some important steps to support a demand-driven, coordinated process of TCB delivery in support of the CAFTA negotiations. Working with intergovernmental organizations, it has organized resources to support the Central American governments in developing National Action Plans for TCB. Urged by USTR and prodded by a one-year negotiating timetable, participants in the TCB Working Group have worked to keep pace with negotiations and short-term capacity-building needs, especially to locate and mobilize resources more rapidly than occurs during the usual timelines for foreign aid. More important, at the request of the Central American countries, this process has involved since its outset multilateral donors. The IDB, the Central American Bank of Economic Integration, and the World Bank are the leading multilateral donors in terms of overall development assistance to the region, and they provide significantly more CAFTA-related TCB resources than does the United States.⁵⁶ On the other hand, coordination between the U.S. and Canadian governments, respectively the first and second largest bilateral donors to the region, should be strengthened. This is especially true because similar to the United States, Canada has signed an FTA with Costa Rica and is concluding FTA negotiations with the four other CAFTA countries, in which trade-related environmental capacity building is a central focus.

USTR's three-pronged approach to integrating environmental issues into trade—through negotiating language into the agreement itself, through the parallel environmental cooperation talks led by the U.S. Department of State, and through responses to TCB requests—create an unprecedented number of opportunities where environmental concerns can influence trade policy. In proposing trade and environment language similar to that negotiated in the U.S.-Chile FTA,

U.S. trade negotiators have kept negotiations on the environment apace with other areas of the trade talks.⁵⁷ Substantive progress, however, is hampered by two factors. First, Central American governments resist any linkage between trade liberalization and enforcing environmental laws. Second, the approach used in the U.S.-Chile FTA is organized around a commitment to enforce national environmental laws or to risk discipline under the agreement's dispute settlement process. Although the Central Americans are making progress toward designing and implementing effective environmental laws, the United States is already aware these laws may not yet be adequate and certainly are not well enforced. Asking a country with weak enforcement capability to enforce (perhaps) insufficient laws means little in terms of real environmental protection.⁵⁸ It is therefore essential to have more emphasis on technical assistance and capacity building.

At this time, there is little public evidence regarding progress in the area of trade-related environmental capacity building. This can be explained by a number of factors. First, most of the Central American countries gave limited attention—if any at all—to environmental TCB in their National Action Plans (Honduras made no mention of the environment). El Salvador, Guatemala, and Nicaragua requested TCB to enhance their understanding of general trade-environment issues and U.S. environmental law and to strengthen national capacities to implement treaty commitments. Only Costa Rica identified specific sustainable development TCB programs—for example, assistance to promote clean production technology, modern waste management, and sustainable use of natural resources—as integral to its transition to free trade. It is ultimately the responsibility of each country to request trade-related environmental TCB. But its absence raises the question of how early, strongly, or effectively U.S. officials and multilateral donors have emphasized the importance of the environment in discussions leading to the CAFTA negotiations.⁵⁹

In addition, the paucity of environmental requests in their National Action Plans signals a missed opportunity for the CAFTA countries to engage all relevant government ministries (such as environment and development ministries) and the broader public in developing their TCB priorities. This is unfortunate, as civil society groups in Central America have expressed publicly their support for linkages between trade and environment policies.⁶⁰ Moreover, the CCAD and regional experts are working to develop and articulate concrete proposals on trade-environment-development linkages.⁶¹ Although the National Action Plans are documents subject to revision, they currently reflect little participation from domestic environmental ministries, the CCAD, or regional environmental organizations, nor are any apparent efforts to obtain such input to modify the plans.

The failure to incorporate indigenous expertise on trade and environment into a TCB needs-assessment process has clear implications. First, trade negotiators and policy makers forgo the chance to inform and strengthen their positions through exchange with experts, practitioners, and citizens. They also lose an opportunity to build public support for the agreement and to raise public awareness of the connections between trade liberalization and improvements in quality of life. In turn, the lack of public input makes it more difficult to identify and build upon existing capacities in the region. For example, a properly written National Action Plan would refer to EPA's technical assistance in regulatory reform and implementation. It would also include information on PROARCA's efforts to find more markets for environmentally sound products and services and to increase the municipal and private-sector use of less-polluting technologies. As these examples of TCB needs are directly related to trade, it is reasonable to expect these to be included in the plans, if only to help target future donor support for expanded programs.

It is also rational to expect that TCB requests be informed by some type of environmental review process, as explained above. Donors should be prepared to provide funds for this purpose, including direct support for research by local experts. For instance, Central American countries rely heavily upon agriculture for employment and revenue. At the same time, pesticide runoff is a growing cause of water pollution and a risk to health. Both exposing these countries to greater competition with U.S. agriculture and promoting intensive farming methods to increase export crops will have important implications for sustainable development in the region. An environmental review done early enough in the negotiations will give Central American negotiators more detailed information on the potential impacts of liberalized trade in agriculture, thereby improving their negotiation positions and sharpening their TCB requests.

The TCB needs-assessment process also provides a critical avenue for discussion that is separate from the politically charged, secretive nature of trade negotiations. In part because the environment was not emphasized in the original CAFTA National Action Plans for TCB, the TCB Working Group now is relying primarily on the environment negotiating group to develop priorities and proposals for environmental capacity building. This strictly intergovernmental negotiating process, however, is progressing at a slower pace, under more politicized and less open circumstances. Only in the third round of talks did the Central American negotiators begin to define (still general) capacity-building priorities. Discussions do not have the level of detail necessary to reach out to donors, in contrast to the progress in resource coordination noted in the main TCB Working Group. Although details remain confidential, it is clear that to date Central American governments have not articulated a proactive agenda on trade and environment.

This reluctance to articulate environmental TCB needs is likely tied to a suspicion that requests for TCB translate into bargaining costs in the overall negotiations on environment. Central American governments resist hard commitments that link trade liberalization to the enforcement of national environmental laws. On the other hand, they are sensitive to the possibility that USTR may successfully negotiate such language into CAFTA without making firm commitments of resources to fund environmental capacity building. As Central American negotiators have already stressed, this occurred in the recently concluded U.S. trade agreements with Chile and Singapore, and is a subject of concern in the U.S. Trade and Environment Policy Advisory Committee.⁶² Contributing to this dynamic is that Central American government positions on environmental capacity building continue to be shaped primarily by trade negotiators, with only limited input from environment and development officials.⁶³

Finally, at this point in the CAFTA process, there is a need for better coordination to bridge the structural division of responsibility for environmental capacity building between the TCB Working Group and the State Department-led discussions in the environmental negotiating group. The State Department uses a medium- to long-term approach to capacity building; it is not equipped to channel rapid response assistance to help governments develop a more proactive agenda on trade and environment. A further risk exists that the separating environmental cooperation from the main TCB Working Group will undermine the integration of environment into key areas under discussion, including rural development initiatives and export promotion strategies. To date, it has been logistically difficult for participants in the environmental negotiating group to also attend TCB Working Group talks. Frequently, the sessions have directly overlapped.

Over the longer term, the negotiation of a separate mechanism for environmental cooperation may be a positive means to focus political energy and resources on this priority. The U.S.-Chile Environmental Cooperation Agreement and the U.S.-Singapore Memorandum of Intent on environmental cooperation reflect good-faith commitments by all parties to sustain their enthusiasm for implementing these agreements after the trade negotiations spotlight has shifted elsewhere. Separating an environmental accord from the trade agreement itself gives the U.S. and its partners greater agenda-setting flexibility, but the price paid for this independence may be lackluster implementation. To minimize this risk, U.S. Department of State officials should negotiate environmental cooperation mechanisms that facilitate the full participation of existing environmental technical assistance providers (for example, in Central America the CCAD, PROARCA, and partners), as well as the public.

The CAFTA TCB Working Group faces a similar challenge. To date, there is little evidence negotiations will build upon existing environmental capacity building activities in the region. Parties therefore also should expand participation in the TCB Working Group to include regional experts from CCAD, PROARCA, and their TCB partners. Outreach to new civil society and private sector partners should extend beyond U.S. *Federal Register* notices; in particular, we are not aware of any formal outreach that has sought to expand TCB participation to include Central American organizations. Finally, the TCB working group should prevent overlap within the negotiating group on environment, and should give greater attention to immediate environmental TCB needs.

Finally, the United States must recognize that TCB to support effective participation in negotiations—both by governments and their citizens—is a time-sensitive process, which may require extended cooperation and periods of negotiation. Subsequently, capacity building for FTA implementation and a broadly beneficial transition to free trade will require long-term commitments of energy and resources. Although it is good to combine the energy of trade negotiations with trade-related capacity-building efforts, U.S. officials must take care not to raise expectations higher than their readiness to fund and coordinate effective TCB initiatives. U.S. promises to provide trade-related environmental capacity building must also not become an unfunded mandate pressuring federal agencies to cut development priorities in other areas. To support realistic and effective TCB programs, the United States, its trading partners, and the broader donor community should work to develop benchmarks for evaluating desired impacts. It is also important for recipient countries to recognize that continued TCB support will depend upon concrete progress toward objectives that are important to the international community, including good governance and sustainable development that benefits the poor.

PART 3. RECOMMENDATIONS

The U.S. commitment to TCB is both commendable and challenging. There are many aspects of its approach to linking TCB to trade that should be repeated, and its efforts in Central America are teaching valuable lessons that should be applied to future negotiations. We offer a number of specific recommendations to improve this effort.

Integrate Environment and Sustainable Development into TCB

To help poor countries harness trade as a tool for sustainable development, U.S. capacity-building efforts must better integrate environmental concerns across all three phases of TCB: participation, implementation, and transition to open markets. Although trade and TCB should not be viewed as the primary means to environment and development goals, environmental policy, institutions, and infrastructure must keep pace with commerce. Specifically:

- The United States should strongly urge its trading partners to adopt TCB needs-assessment processes that are more open, inclusive, and informed by analysis. To inform trade-related environmental capacity building, the U.S. government should make funds available to local experts to conduct general or sector-specific environmental reviews.
- USAID/Washington should implement a TCB Task Order to provide quick-disbursing technical assistance on trade-environment-development issues, to assist recipients in developing a proactive agenda for both negotiations and future TCB needs. The scope of work for this contract should encourage partnerships with local experts whenever possible; in addition, it should draw upon emerging international best practices.
- The U.S. Department of State should issue *demarches* that clearly explain U.S. trade-related capacity-building objectives and that instruct foreign service officers to work actively with environment and development ministries. Significant training on these issues should be incorporated into U.S. Department of State foreign service officer training programs.

Adequate, Timely, and Regular Funding

The WTO *Doha Ministerial Declaration* and *New WTO Strategy* for TCB identify the importance of adequate and regular funding for trade capacity building initiatives, especially as more developing countries become WTO members.⁶⁴ The U.S. government, though eager to announce aggregate increases in TCB support, has not yet made a strategic commitment in this regard. With this in mind:

- As growing numbers of developing countries enter the multilateral trading system, global TCB resources will need to keep pace to deliver even a constant level of TCB. We especially note the need to allocate increased U.S. government resources to support TCB efforts targeting reform-minded LDCs, through both bilateral and multilateral channels. U.S. efforts to build broad-based financial support for its efforts in Central America provide a good example of how to anticipate technical assistance costs as part of trade negotiations.
- As the U.S. government accelerates its pursuit of bilateral and regional free trade negotiations, it must make good on its corresponding technical cooperation promises. Congress must consider assuming a stronger role in this regard. U.S. negotiators should also take care to not unduly raise expectations regarding short- or long-term assistance.

Incorporate Broad-Based Participation and Regional Expertise into TCB Efforts.

Broadly participatory TCB processes can promote good governance, learning for all stakeholders, and sound policies supportive of sustainable development. Learning by doing is perhaps the most important way for the United States to build long-term capacity. With this in mind:

STRENGTHENING LINKAGES BETWEEN U.S. TRADE POLICY AND ENVIRONMENTAL CAPACITY BUILDING

- Negotiators should meet routinely with affected constituencies during negotiations, as did the government of Mexico during the NAFTA negotiations. Donors should provide support to enable resource-poor constituencies to participate as well.
- Discussions on issues that are not part of the trade agreement itself, such as technical assistance or environmental cooperation, should be made public. Open deliberations will help governments prioritize collaborative efforts and may attract additional financial support. Ways to involve the public may include granting observer status to accredited organizations, instituting regular notice and comment periods on proposed TCB plans, and publicly releasing detailed reports after each meeting.⁶⁵
- There is no better teacher than practice. Technical assistance contracts and grants should emphasize in-country providers, regional service providers or both. When a U.S.-based firm is hired to provide TCB, it should be instructed to partner with local organizations or subcontractors whenever possible.
- USAID could set up small grants programs for TCB projects in particular regions. These could be administered by a well-established NGO, preferably one skilled in developing capacities in NGOs and citizens groups.

Effective Coordination

The CAFTA TCB initiative and the FTAA Hemispheric Cooperation Program advanced by USTR emphasize the mobilization of U.S. government assistance in coordination with funds from multilateral and bilateral donors, the private sector, and civil society groups. This approach is important to any viable technical assistance program and should be enhanced. Moreover:

- Washington-based officials involved in trade deliberations should establish two-way communications with U.S. field officers to discuss identified TCB needs. To the greatest extent possible, U.S. TCB also should be coordinated with efforts by other bilateral donors, in addition to multilateral donors.
- The United States must develop credible means to institutionalize support for TCB and environmental cooperation mechanisms established during the course of free trade negotiations. As the number of free trade and side agreements grows, federal agencies such as USTR and the U.S. Department of State may be hard-pressed to manage TCB coordination over the longer term.

Transparency and Accountability

As TCB strategies and initiatives have progressed rapidly over the last year, interested stakeholders in both public and private sectors have expressed the frustration they do not understand where or how funds are being allocated. Although aspects of this misunderstanding cannot be fully corrected, its ill effects could be minimized in the following ways:

- USAID should better use its web site to post clear and specific information about U.S. TCB projects and contractors. The newly launched USAID “Trade and Investment” web page takes a step in this direction, but would benefit from more detailed and technical information.⁶⁶

- USAID and USTR should testify before Congress to explain fully each agency's approach to trade-related technical assistance and capacity building. In particular, Congress should explore how federal agencies link financial resource allocation with technical assistance proposals that arise from trade negotiations.
- The U.S. government should develop and disseminate a practical guide for best practices in TCB implementation and evaluation, to complement the general *USAID Strategy*. The United Kingdom published such a guide in 2001.⁶⁷

The Promise of Political Energy, Resources, and Time

Linking trade-related capacity-building efforts to U.S. trade negotiations is the right direction to take policy. Successfully supporting trade-related environmental protection and sustainable development will take a substantial political, human, and financial commitment. In addition, it will require TCB and trade negotiation timelines that are so coordinated to give our trading partners sufficient time to strengthen and incorporate good governance and environmental protection capacities. In this manner, the United States can create a trade policy package in which technical assistance and capacity building support trade-led sustainable development that has real benefits for people.

ENDNOTES

1. The White House, *The National Security Strategy of the United States of America* (September 2002), 17.
2. See Scott Vaughan and Greg Block, *Free Trade and the Environment: The Picture Becomes Clearer* (Montreal: Commission for Environmental Cooperation of North America, 2002), 5. Vaughan and Block point out that for certain kinds of pollution, the “scale effect”—where expanded production and consumption causes a greater pressure on the environment—can be offset partially by advances in technology and compositional effects. For example, there has been a decrease in energy intensity per unit of gross domestic product in most industrialized countries. However, in general it is clear that industrialized economies continue to place great strain on the environment in terms of both inputs of natural resources and outputs of waste.
3. See “About UNCTAD” at <http://www.unctad.org>.
4. Commitments to TCB are made throughout the *Doha Ministerial Declaration*, including in paragraphs 2, 16 (market access), 21 (investment), 24 (competition), 26 (government procurement), 27 (trade facilitation), 33 (environment), and 42–43 (LDCs). General commitments to TCB made in paragraphs 38–41 emphasize linking trade with poverty reduction and development; priority for small, vulnerable countries; and the importance of better donor coordination and secure and predictable funding. See World Trade Organization, *Doha WTO Ministerial 2001: Ministerial Declaration*, WT/MIN(01)/DEC/1 (November 14, 2001), available at http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.
5. The United States pledged \$1 million to the Fund. See World Trade Organization, “Pledging Conference for the Doha Development Agenda Global Trust Fund,” WT/COMTD/37/Rev.1 (June 25, 2002), available at http://tcbdb.wto.org/publish/wtcomtd37R1_Eng.doc.
6. Across the three main categories of TCB reported in the WTO/OECD survey, in 2001 the U.S. provided \$179.2 million of \$466 million in total commitments to trade policy and regulations; \$376.3 million of \$1,016.4 million in total commitments to trade development, and \$0.4 million of \$25.8 million in total contributions to multilateral TCB trust funds. World Trade Organization and Organization for Economic Cooperation and Development, *First Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building* (November/December 2002), 10 (hereinafter *WTO/OECD Report*).
7. World Trade Organization, *The New WTO Strategy for Technical Cooperation for Capacity Building, Growth and Integration* (2002), 4, available at <http://tcbdb.wto.org/publish/Glossy-broch-eng.pdf>.
8. David Weiner and Linda Cotton, *Background Paper Prepared for the 29–30 May 2000 Workshop for the Project on Capacity Development for Trade: Towards Good Practices* (Organization for Economic Cooperation and Development: May 2000).
9. See Scott Vaughan and Greg Block, 3.
10. *Doha WTO Ministerial 2001: Ministerial Declaration*, paragraph 33.
11. The recommendations are our own, but draw upon conversations with technical assistance providers, the environmental cooperation experience under the NAFTA regime, and recent work coordinated by UNEP to define trade-related environmental capacity building needs and best practices. Appendix 1 lists further resources. See also Matthew Stillwell, *Enhancing Capacity for Environment, Trade, and Sustainable Development*, working paper prepared for the UNEP Capacity Building Meeting on Environment, Trade, and Sustainable Development for the Latin American and Caribbean Region, Mexico City (March 2003), available at <http://www.unep.ch/etu/Mexico2003.htm>.
12. The U.S. government also funded 89 of 117 total projects classified as “trade and environment” in the WTO/OECD Trade Capacity Building Database. The database may be searched by category at <http://tcbdb.wto.org>.
13. In addition to the United States, the United Kingdom, Japan, and Canada have substantial bilateral TCB programs; donors including Germany and France have recently created new bilateral programs. See *WTO/OECD Report*, 1. Demonstrating the U.S. preference to provide bilateral aid, in 2001 the United States gave a total of U.S.\$407,000 to the multilateral TCB trust funds, approximately 1.5 percent of global contributions. In 2002, this contribution increased to U.S.\$1.54 million, or just under 4.5 percent of the global total. By comparison, Switzerland, the leading contributor to multilateral TCB trust funds, gave a total of U.S.\$5.7 million in 2001 and U.S.\$5.9 million in 2002. The source of this data is information provided by TCB Trust Funds [World Trade Organization, Integrated Framework, International Trade Center, and the Joint Integrated Technical Assistance Program] to the OECD as of April 2003.
14. The United States definition of TCB is actually more comprehensive than that used in the *WTO/OECD Report*. Donor countries apply different methodologies for counting and reporting TCB activities.
15. USAID maintains an online Trade Capacity Building Database, available at <http://qesdb.cdie.org/tcb/index.html>. The data is drawn from two surveys of U.S. government agencies conducted in summer 2001 and summer 2002.
16. See the Trade Act of 2002 [Section 2102(b)(11)(D)]. Likewise, Congress instructs the administration to “strengthen the capacity of United States trading partners to promote respect for core labor standards [Section 2102(b)(11)(C)].”
17. United States Agency for International Development, *USAID Strategy: Building Trade Capacity in the Developing World*, Doc. PD-ABX-241 (March 2003), 15. The U.S. Department of Labor also has a budget for capacity building, and in 2002 provided an additional 14 percent of U.S. TCB resources. The three next largest contributors in 2002—the Overseas

Private Investment Corporation, the U.S. Department of State, and the Trade and Development Agency—accounted for between 2 percent and 3 percent each. Other federal agencies contribute unique expertise by implementing capacity-building projects, but do so primarily with funding obtained through interagency agreements with USAID. Percentages calculated with data from the U.S. Trade Capacity Building Database.

18. *USAID Strategy*, 3.
19. *Ibid.*, 4.
20. *Ibid.*, 14–16.
21. *Ibid.*, 17.
22. *Ibid.*, 10.
23. The USTR Trade Capacity Building web page is available at <http://ustr.gov/new/tcb.htm>. The USAID Trade and Investment web page is available at http://www.usaid.gov/our_work/economic_growth_and_trade/eg/trade.html.
24. This authority was established by Executive Order implementing the Trade Act of 2002. See *Federal Register* Notice “Department of State: Delegation of Authority 250; Further Assignment of Functions Under the Trade Act of 2002 (“Trade Act”) to Other Departments and Agencies of the Executive Branch,” *Federal Register* Notices, Vol. 67, No. 243, Wednesday, December 18, 2002.
25. *USAID Strategy*, 16.
26. The bulk of USAID projects will continue to focus on developing *economic responsiveness*, competitiveness, and productivity. In 2002, 90 percent of USAID funding designated as TCB was allocated to economic responsiveness, whereas 7 percent went to *implementation* and just 3 percent to *participation*. See *Ibid.*, 10.
27. Course evaluation materials from the “Trade Capacity Building and the U.S.-CAFTA,” training workshop for USAID Economic Growth Officers and embassy officials, held March 3–4 in Antigua, Guatemala. USAID officials may request access to course evaluation materials.
28. The report also discusses at length agriculture, fisheries, and tourism—all sectors with intricate links to environment. See Nathan Associates, *Mainstreaming Trade: A Poverty Reduction Strategy for Mozambique: Summary and Recommendations* (October 2002), available at http://www.tcb-project.com/upload_files/145_MzbqSumEnglFull.pdf.
29. Nathan Associates, *Assessment of Morocco’s Technical Assistance Needs in Negotiating and Implementing a Free Trade Agreement with the United States* (February 2003), available at [http://www.tcb-project.com/upload_files/143_Morocco_English_\(FINAL\).pdf](http://www.tcb-project.com/upload_files/143_Morocco_English_(FINAL).pdf).
30. In the FTAA Quito Declaration signed in November 2002, 34 governments in the Americas stated: “We reject the use of labor or environmental standards for protectionist purposes. Most Ministers recognized that environmental and labor issues should not be utilized as conditionalities nor subject to disciplines, the non-compliance of which can be subject to trade restrictions or sanctions.” See Free Trade Area of the Americas, Seventh Meeting of Ministers Responsible for Trade in the Hemisphere: *Ministerial Declaration* (Quito, Ecuador, November 1, 2002), paragraph 11, available at http://www.ustr.gov/regions/whemisphere/ftaa2002/quito_declaration01.pdf.
31. *USAID Strategy*, 15.
32. Office of the United States Trade Representative, “United States and Central American Nations Launch Free Trade Negotiations,” USTR Press Release (January 8, 2003), available at <http://www.ustr.gov/releases/2003/01/03-01.htm>.
33. In 2001, the governments expanded and renewed CONCAUSA, adding disaster preparedness and climate change as areas of cooperation and reiterating the commitment to promoting sustainable development through increased competitiveness in global markets and improved environmental management.
34. Established in 1993, the Central American Integration System (SICA) is a regional integration framework now encompassing Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama and Belize. The Dominican Republic participates as an observer and China as an extra-regional observer. Central American integration formally dates back to 1951 when the Organization of Central American States (ODECA) was created. ODECA was suspended in 1973, and progress in regional integration came to a standstill until the founding of SICA two decades later. SICA encompasses a number of regional secretariats and institutions to facilitate integration (for example, in economic, social, cultural, environmental, development, and further areas). For more information (Spanish only), see <http://www.sgsica.org>.
35. U.S. Agency for International Development, “Central American Regional Program Activity Data Sheet: Regional Trade and Investment, 596-005” in *Budget Justification to the Congress: Fiscal Year 2004* (Washington, D.C.: USAID 2003).
36. Recent funding requests for the project have increased significantly, from an initial proposal of approximately \$3 million per year to FY03 and FY04 requests of \$7.3 million and \$7.6 million, respectively. *Ibid.*
37. Established in 1989, the CCAD is a regional body that provides a forum for cooperation among the Environment Ministers in Central America; it has an Executive Secretariat based in Guatemala. For more information (Spanish only), see <http://ccad.sgsica.org>. USAID previously supported the institution building and programs of the CCAD under its Regional Environmental and Natural Resources Management (RENARM) program. See Kara D. Page and Martin Schwarz, *USAID Capacity Building in the Environment: A Case Study of the Central American Commission for Environment and Development*, working group no. 1, paper no. 4 (July 31, 1996).

STRENGTHENING LINKAGES BETWEEN U.S. TRADE POLICY AND ENVIRONMENTAL CAPACITY BUILDING

38. U.S. Agency for International Development, "Central American Regional Program Activity Data Sheet: Central America Regional Environment Program, 596-006" in *Budget Justification to the Congress: Fiscal Year 2004* (Washington, D.C.: USAID, 2003).
39. Actual funding for FY 2001 and FY 2002 was \$6.03 million and \$6.84 million, respectively. The FY 2003 budget request jumped to \$10.74 million, but the FY 2004 request returned to \$6.37 million. Ibid.
40. A U.S. Department of State brief notes: "USG agencies such as the Department of the Interior, the Environmental Protection Agency, the U.S. Forest Service, the U.S. Department of Energy, U.S. Fish & Wildlife Service and NASA, among others, are engaged at the technical and policy levels with their Central American counterparts through CONCAUSA and its implementation." Please contact John Audley for a copy of the brief.
41. Based on FY2002 data drawn from the USAID Trade Capacity Building Database, USAID prepared TCB Country Activity Reports, and the USAID *Budget Justification to Congress: Fiscal Year 2004*.
42. Office of the United States Trade Representative, "United States and Central American Nations Launch Free Trade Negotiations," Press Release (January 8, 2003), available at <http://www.ustr.gov/releases/2003/01/03-01.htm>.
43. USAID does not have a mission in Costa Rica, but the country receives funding from USAID regional Central American Programs.
44. An undated USAID fact sheet on the "Opportunity Alliance for Central America and Mexico" states that Opportunity Alliance will provide \$30 million in FY 2003. The USAID 2004 *Congressional Budget Justification* explains that most Opportunity Alliance funds will carry out current activities, and also will support some new projects to build trade capacity and to respond to the coffee crisis. U.S. Agency for International Development, "Central American Regional Program" in *Budget Justification to the Congress: Fiscal Year 2004* (Washington, D.C.: USAID 2003).
45. The CAFTA countries prepared their National Action Plans for TCB while discussions were ongoing in the Free Trade Area of the Americas (FTAA) process regarding the definition of the FTAA Hemispheric Cooperation Program and a template for preparing a national TCB strategy. The CAFTA and FTAA processes informed one another. For more information on the FTAA Hemispheric Cooperation Program, see <http://www.ftaa-alca.org>.
46. Public Versions of the National Action Plans are available on the USTR website at <http://www.ustr.gov/new/tcb.htm>. The 90-day priority lists are not publicly available.
47. See the *Federal Register* notice at <http://www.ustr.gov/new/2003-05-06-tcb-frn.pdf>.
48. Regina Vargo, "Status of the U.S.-Central American Free Trade Agreement (CAFTA) Negotiations Public Briefing," (Office of the United States Trade Representative: Friday, May 23). The text of the U.S.-Chile Free Trade Agreement is available at <http://www.ustr.gov/new/fta/Chile/text/index.htm>.
49. If the parties decide to negotiate a separate Environmental Cooperation Agreement (ECA), the U.S. Department of State would lead the U.S. negotiating team. This process was adopted for the U.S.-Chile Environmental Cooperation Agreement, which complemented the U.S.-Chile Free Trade Agreement.
50. The Comparative Risk Assessment was funded by PROARCA and managed by the Project in Development and the Environment (PRIDE), a centrally funded USAID project that provided technical assistance in environmental and natural resources management to USAID missions and host country institutions. Please contact John Audley for a copy of the English language Executive Summary of the PRIDE Report.
51. Ibid.
52. See U.S. Environmental Protection Agency, "U.S./ Mexico Border," at <http://www.epa.gov/owm/mab/mexican/index.htm>.
53. EPA also had hoped to provide a general seminar on environmental review processes to the CAFTA countries in March 2003; however, this assistance has not yet been requested.
54. See *Federal Register* Notice, "Trade Policy Staff Committee; Initiation of Environmental Review of Central America Free Trade Negotiations; Public Comments on Scope of Environmental Review," *Federal Register* Notices, Vol. 67, No. 226, November 22, 2002.
55. The Humane Society of the United States has proposed a long-term partnership between governments and NGOs involving a comparative legal analysis of participation and transparency laws, the subsequent formulation of civil society and transparency legislation in each CAFTA country, and civil society outreach to educate and encourage participation. See Mara Burr, "The CAFTA Alliance for Trade Capacity Building: Concept Paper," submitted to USAID on behalf of The Humane Society of the United States, Counterpart International, Earth Council Costa Rica, Earth Voice (March 2003).
56. The banks are listed in order of their total development assistance to the Central American region. USAID, "Central American Regional Program" in *Budget Justification to the Congress: Fiscal Year 2004*.
57. Regina Vargo, "Status of the U.S.-Central American Free Trade Agreement (CAFTA) Negotiations Public Briefing," (Office of the United States Trade Representative: Friday, May 23).
58. For further analysis, see John Audley, "Opportunities and Challenges to Advance Environmental Protection in the U.S.-Central American Free Trade Negotiations" (Washington, D.C.: Carnegie Endowment for International Peace, February

- 2003) and “Testimony on the Free Trade Area of the Americas (FTAA)” (Washington, D.C.: Testimony before the Senate Finance Committee, May 13, 2003). Both papers are available at www.ceip.org/trade. See also Paul Joffe, National Wildlife Foundation, on “The U.S.-Chile and U.S-Singapore Free Trade Agreements,” (Washington, D.C.: Statement before the Senate Finance Committee, June 17, 2003).
59. A draft template for developing the National Action Plans was circulated in October of 2002. In terms of environment, the template references: Intra-government coordination; staff experience levels and participation in international bodies; trade and investment related regulatory process; transparency requirements and notification procedures; interagency coordination and consultation with private sector and civil society. “National Action Plans for Trade Capacity Building in Central America,” Template Draft, Rev.1 (October 3, 2002).
 60. See *The Hemispheric Trade and Environment Forum to the VII Ministerial Conference of the FTAA*, October 31, 2002, a consensus statement available at <http://www.ceip.org/files/events/events.asp?p=43&EventID=533>.
 61. The CCAD Secretariat, for example, has instituted a trade-environment project and was an active participant at the March 2003 UNEP Capacity Building Meeting on Environment, Trade, and Sustainable Development for the Latin American and Caribbean Region, Mexico City. The CCAD is also refining a Strategic Environmental Impact Assessment methodology, and incorporates a Civil Society Forum into its work.). For more information (Spanish only), see <http://ccad.sgsica.org>. Other Central American groups active in trade-environment debate include INCAE at <http://www.incae.ac.cr> and CATIE (Spanish only) at <http://www.catie.ac.cr>.
 62. See the Report of the Trade and Environment Policy Committee, “The U.S.-Chile Free Trade Agreement” (February 27, 2003), 7, section B (d).
 63. According to U.S. negotiators involved, officials from the Central American Environment Ministries have been present during the environmental negotiations, but in general have not spoken on behalf of their governments. Certain governments, moreover, have expressed their resistance to more closely involving the CCAD and/or to undertaking an environmental review. And at least some Central American civil society and environmental groups assert that negotiations have not been adequately transparent to enable them to provide negotiators with input, or to remain aware of the content of negotiations.
 64. See the WTO *Doha Declaration*, paragraph 40 and the *New WTO Strategy*, 6.
 65. Independent reporting such as that provided by the International Institute for Sustainable Development’s *Earth Negotiations Bulletin* provides interested parties with detailed summaries of international negotiations, allowing those unable to attend the meetings to follow their progress.
 66. See http://www.usaid.gov/our_work/economic_growth_and_trade/eg/trade/tcb_activites.htm.
 67. Tom Pengelly and Mark George, *Building Trade Policy Capacity in Developing Countries and Transition Economies: A Practical Guide to Planning Technical Co-operation Programmes*, (United Kingdom: International Trade Department, DFID, March 2001).

APPENDIX 1. BEST PRACTICES FOR TRADE-RELATED ENVIRONMENTAL CAPACITY BUILDING

Our recommendations are based on our conversations with TCB providers, environmental cooperation efforts under NAFTA, and recent UNEP work on TCB best practices.

Scope of TCB Activities for Trade, Environment, Development

The scope of trade-related capacity-building activities to support environmentally sustainable development includes, but are not limited to, the following topics.

- Build capacity for **improved policy making and negotiation** on key trade and environment issues through supporting:
 - research and outreach to increase understanding on the linkages between trade, environment, and development, as well as on practical approaches to address these;
 - national capacities to use environmental impact assessments (EIA) and integrated assessments (IA) of trade and related policies;
 - enhanced coordination between environment and trade ministries at the national level and mechanisms to incorporate public input into trade policy making;
 - development and implementation of appropriate, practical, and significant legal and policy initiatives, informed by integrated planning; and
 - access for developing country negotiators to the tools, data, analyses, and networks to participate effectively in discussions on trade and environment.
- Ensure that the expansion of trade results in **no harm to the environment or human health**, by assisting:
 - investment in environmental infrastructure and environmentally sound technologies necessary to manage and mitigate environmental impacts stemming from increased economic activity;
 - adequate environmental enforcement capacity;
 - the collection and dissemination of environmental monitoring data;
 - mechanisms to involve the public in enforcing environmental laws; and
 - cooperation programs to address priority environmental concerns.
- Facilitate **beneficial environment and development outcomes**, by supporting:
 - transfer of best practices in cleaner production techniques and technologies;
 - increased market access opportunities for environmentally preferable products;
 - improved compliance with international health and environmental product standards and green certification programs;

- . implementation of trade-related commitments found in multilateral environmental agreements (MEAs); and
- . Sustainable management of natural resources and traditional knowledge, while strengthening rural communities and livelihoods.

The TCB Process

Key elements in a successful technical assistance and capacity-building process include the following.

- **A demand-driven approach** in which TCB objectives and priorities are based on local conditions and on an initial, detailed **needs assessment** prepared by the recipient country. Here, it is important to recognize that developing countries lack experience and will often require assistance in identifying and articulating TCB needs. National policy dialogues to raise awareness and encourage the exchange of perspectives among experts, practitioners, and negotiators, are a valuable step in the needs-assessment phase.
- **Broadly participatory processes**, reaching out to all relevant stakeholders. Inclusive public participation and TCB transparency can in turn promote good governance, learning across all stakeholders, and sound policies that are supportive of sustainable development.
- **A learning by doing TCB approach**, involving local, national, and regional participants in order to build indigenous capacity. Where more traditional workshops or trainings are most appropriate, they should use a **training the trainer** approach, whenever possible using local expertise. These methods can help build local capabilities and strengthen the sustainability of TCB efforts.
- **Enhanced coordination among donors**, to promote coherent and comprehensive TCB. An **institutional mechanism** is useful to coordinate and to support sustained activities. Donors should also work to harmonize, where appropriate, the requirements faced by recipient countries.
- **Improved evaluation and follow up** of capacity-building initiatives.
- **Adequate funding** for TCB that meets growing needs, permits predictable and quick disbursements, and has few strings attached.
- **Partnerships** with the private sector and civil society to deliver TCB assistance and evaluation, and to facilitate **sustainable networks** of experts and institutions.

APPENDIX 2. U.S. GOVERNMENT CATEGORIES OF TRADE CAPACITY BUILDING

WTO Awareness and Accession	<ul style="list-style-type: none"> • Provide a basic understanding of the WTO Agreements • Help accession candidates identify changes to laws, regulations, policies, and procedures necessary to complete negotiations on the terms of WTO membership
WTO Agreements	<ul style="list-style-type: none"> • Support countries' efforts toward compliance and implementation, including institution building, so that developing and transition countries may reap the benefits of membership
Trade Facilitation	<ul style="list-style-type: none"> • Lower the costs of engaging in international trade • Assist business support agencies and market development services, private business organizations, information services, and technology transfer
Human Resources and Labor Standards	<ul style="list-style-type: none"> • Help workers participate in the gains from trade and protect their rights in trade-related sectors • Support for workforce skills development, worker rights and labor standards, and the elimination of child labor exploitation and gender bias
Financial Sector Development	<ul style="list-style-type: none"> • Help make financial systems responsive to the needs of trade • Help implement reforms in banking and securities markets and laws and regulations that protect and promote trade-related investment
Trade-Related Infrastructure Development	<ul style="list-style-type: none"> • Build the physical capacity to conduct international commerce • Support trade-related telecommunications, marine ports, airports, and related facilities
Environment	<ul style="list-style-type: none"> • Help assure that trade is environmentally neutral or positive • Support efforts to improve environmental regulations and standards • Promote transfer of environmental technology for sustainable development
Competition Policy	<ul style="list-style-type: none"> • Help assure that participation in international trade is conducted on an equal footing and benefits consumers • Support the development and strengthening of antitrust laws and the elimination of local monopolies
Agriculture Development	<ul style="list-style-type: none"> • Extend the benefits of trade to rural sectors • Support trade-related aspects of agriculture technology development and agribusiness
Services	<ul style="list-style-type: none"> • Help developing and transition countries engage in international services trade • Support the services sectors in those countries
Governance and Interagency Coordination	<ul style="list-style-type: none"> • Make government trade programs more accountable and trade policies and regulations more transparent • Improve planning and communications among government agencies working in trade policy formulation and implementation

Source: United States Agency for International Development, *United States Government Initiatives to Build Trade Related Capacity in Developing and Transition Countries* (October 2001), available at http://www.usaid.gov/economic_growth/tradereport/index.html. This schematic of TCB activities has been repeated in subsequent reports, including United States Agency for International Development, *U.S. Trade Capacity Building in the Americas* (November 2002).

APPENDIX 3. USAID TRADE SUPPORT MECHANISMS

In addition to providing training and technical research, USAID/Washington has developed new field support mechanisms to help missions respond to TCB needs, particularly short-term ones arising from participation in or implementation requirements of specific trade negotiations.

- **Task Orders** allow fast responses to TCB needs, often in two to four weeks. USAID selects a contractor and typically provides a set amount of core funding. Country missions can then buy in to the Task Order; often, costs are split between USAID and the country mission requesting TCB services. New trade specific Task Orders include the following:
 - Support for Trade Capacity Building (STCB): A three-year Task Order with Nathan Associates to respond to missions' requests to deploy technical assistance teams with trade expertise. STCB has been used to help design TCB projects, technical research and workshops on global trade issues, and training courses for USAID officials.
 - Trade Enhancement for the Services Sector (TESS): A three-year Task Order implemented by CARANA Corporation to support services sector liberalization and TCB.
 - The SELDEN Project: A three-year Task Order implemented by Booz Allen Hamilton to assess commercial law regimes, including laws concerning contract and dispute resolution, property rights, bankruptcy, company law, trade law, and foreign direct investment.
 - The DOHA Project: A three-year Task Order implemented by Booz Allen Hamilton providing WTO accession support and short-term consultative services on intellectual property rights, services, sanitary and phytosanitary standards (SPS), customs, and technical barriers to trade.
 - Trade Capacity Assistance in Agricultural Standards (CAAS): A three-year Task Order with Development Alternatives, Inc., to address the full range of development needs related to the development and application of SPS measures and other agricultural and agribusiness standards.
 - LAC Rapid Response Mechanism for Trade Capacity Building: The LAC Bureau has a contract with CARANA Corporation to provide greater flexibility in rapidly responding to trade capacity-building needs throughout the region. The mechanism can be used for training and technical assistance on trade-related issues. Technical expertise is available in all nine FTAA negotiating areas and in related topics such as commercial law.
- **Indefinite Quantity Contracts (IQCs)** require missions to use their own funding to access services, but provide a set of prequalified contractors within a specific area.
 - Support for Economic Growth and Institutional Reform (SEGIR) offers buy-in access to 250 contractors specializing in six areas: general business, trade and investment, legal and institutional reform, macroeconomic policy, privatization, and financial services.

- Rural and Agricultural Incomes with a Sustainable Environment (RAISE) is a partnership between the USAID Bureau of Economic Growth and Trade (EGAT) Agriculture and Environment offices to help missions design and implement strategies to stimulate lasting and broad-based job creation by strengthening natural resource-based industries and community-based natural resource management. RAISE consists of three consortia with more than thirty partners, including environmental NGOs, private sector businesses, consulting firms, and universities. The consortia are led by Associates in Rural Development, Chemonics International, and Development Alternatives.

Source: Information provided by USAID/Washington Trade and Investment staff members, Bureau of Economic Growth and Trade.

APPENDIX 4. THE INTEGRATED FRAMEWORK

The Integrated Framework (IF) for Trade-Related Assistance to Least Developed Countries was inaugurated in October 1997 by six multilateral institutions (International Monetary Fund, International Trade Centre, United National Development Programme, UNCTAD, World Bank, and WTO) to enhance coordination of TCB activities to LDCs. An independent review of the IF released in June 2000 concluded that the program had not been successful because needs assessments were not sufficiently embedded in the development strategies of recipient countries and no additional funding had been allocated by donor countries to meet LDC needs. In response, the IF was revamped, in part through the establishment of the IF Trust Fund to finance TCB mainstreaming, under the World Bank's lead.

Sources:

"IF at a Glance," available at http://if.wto.org/glance_e.htm.

Michel Kostecki, *Technical Assistance Services in Trade Policy* (International Center for Trade and Sustainable Development: Nov. 2001), Box 11.

APPENDIX 5. RESOURCES FOR CAPACITY BUILDING FOR TRADE, ENVIRONMENT, AND SUSTAINABLE DEVELOPMENT

United Nations Environment Programme (UNEP)

Capacity building page at <http://www.unep.ch/etu/etp/acts/capbld/index.htm>.

Capacity Building on Environment, Trade and Development: Trends, Needs and Future Directions, Division of Technology, Industry and Economics, Economics and Trade Branch, July 2002. Available at http://www.unep.ch/etu/etp/events/Capacity_Building/CBdoc_trends_directions.pdf.

Environment and Trade: A Handbook Division of Technology, Industry and Economics Economics and Trade Unit and the International Institute for Sustainable Development, 2000. Also available in French and Spanish at <http://www.iisd.org/trade/handbook/default.htm>.

Environmental Impact Assessment: Training Resource Manual, Second Edition, Division of Technology, Industry and Economics, Economics and Trade Branch, May 2002. Available at http://www.unep.ch/etu/publications/UNEP_EIA_Manual.pdf.

Reference Manual for the Integrated Assessment of Trade-Related Policies, Division of Technology, Industry and Economics, Economics and Trade Branch, 2001. Available at <http://www.unep.ch/etu/etp/acts/manpols/rmia.htm>.

Workshops: Summary and Discussion Papers

UNEP “Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American and Caribbean Region,” held March 27–28, 2003, in Mexico City, Mexico. Available at <http://www.unep.ch/etu/mexico/Mexico2003.htm>.

UNEP/Carnegie Endowment for International Peace “Workshop on Capacity Building on Environment, Trade, and Development,” held July 16, 2002, in Washington, D.C. Available at http://www.unep.ch/etu/etp/events/Capacity_Building/Washington16July_CHSum.pdf or <http://www.ceip.org/files/events/events.asp?p=43&EventID=503>.

UNEP/ WTO “Workshop on Capacity Building on Environment, Trade and Development,” held March 19–20, 2002, in Geneva, Switzerland. Available at http://www.unep.ch/etu/etp/events/Capacity_Building/19March_CB.htm.

United Nations Conference on Trade and Development (UNCTAD)

UNCTAD home page at http://r0.unctad.org/trade_env/test1/openF1.htm.

Project: Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues (UNCTAD-Foundation for International Environmental Law and Development). Available at http://r0.unctad.org/trade_env/test1/openF1.htm.

Promoting Trade for Sustainable Development: UNCTAD’s Contribution to the WSSD, (publication no. UNCTAD/EDM/MISC.216), August 2002. Available at http://r0.unctad.org/trade_env/test1/publications/joburg.doc.

**UNCTAD/ UNEP: Capacity-Building Task Force
for Trade, Environment and Development (CBTF)**

CBTF home page at <http://www.unep-unctad.org/cbtf/cbtf2/F1.htm>.

CBTF Concept note available at http://www.unep.ch/etu/etp/events/Capacity_Building/CBTF_conceptnote.pdf.

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