

The Role of International and National Agencies in Trade-related Capacity Building

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1. INTRODUCTION

WITH increased awareness of the relevance and importance of trade for development, bilateral and multilateral agencies have begun to mobilise more resources (although still very limited) to support trade-related capacity building in developing countries. In addition, the Doha Ministerial Declaration to launch new trade negotiations is peppered with promises of trade-related assistance, with just about all negotiating chapters containing explicit commitments to provide unspecified amounts of technical assistance, to help countries participate, negotiate and implement WTO agreements. Given the magnitude of needs in developing countries, the launch of new trade talks, and limited funds for assistance, the biggest challenge is to ensure that available resources are effectively utilised to deliver tangible benefits to developing countries. The question is not so much as to the need for a significant increase in 'aid for trade' but 'how' to deliver. This paper assumes the former and is concerned about the latter.

The paper touches on some basic premises to support the need for trade-related capacity building (TRCB). It appreciates that trade reform and openness alone is not proven to automatically equate with economic growth and poverty reduction, but accompanied by appropriate mutually reinforcing policies will provide the basis for significant welfare gains from trade liberalisation. Consequently 'trade capacity building' has to constitute a far broader concept. The paper also notes that against the availability of aid, TRCB cannot be a substitute for meaningful market access improvements.

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The paper looks at the current difficulties associated with the effective delivery of TRCB and draws particularly on problems with recent collaborative efforts to promote a more integrated approach to trade assistance between the bilateral and multilateral agencies.

The effective delivery of trade-related capacity building relates specifically to two areas: firstly, in-country, to help formulate appropriate trade positions as well as to place trade reform in the context of the country's overall development strategy that will promote a supply response and facilitate pro-poor growth; and secondly, within the global rule-making process to ensure that implementation of WTO rules and efforts to negotiate and implement future disciplines makes sense from a development perspective and that assistance is considered in the context of other competing development needs. In terms of future negotiations, without such mechanisms it will be very difficult to provide sufficient assurance to developing countries of the benefits to negotiate additional regulatory areas for fear that they will divert development-related priorities and lead to sub-optimal outcomes.

The paper looks at both of these in turn. It elaborates a recently launched initiative to bring the main providers of trade-related assistance and bilateral donors together to support recipient countries to include a trade agenda in their overall development strategy (in many cases the PRSP or UNDAF) process and ensure trade-related capacity building is coherent to the trade policy aims of the country concerned and prioritised with other development assistance needs. The recent case study of Cambodia is presented.

The paper then reflects on the current provisions in the WTO Agreements to meet the concerns of developing countries, notably with respect to special and differential treatment and implementation difficulties. To overcome many of the existing problems with these provisions, the paper proposes an issues-based approach to support developing country participation and implementation of WTO agreements that could be formulated within the global trade rules. This would draw together the transition requirements and sequencing for implementing agreements, taking into account an appraisal of the associated costs of implementation given competing demands on developing country resources and the availability and need for additional trade assistance.

2. SOME BASIC PREMISES FOR EFFECTIVE TRADE-RELATED CAPACITY BUILDING

There is widespread evidence that trade and investment reform and deeper integration with the global economy undertaken within a comprehensive development strategy is a key component to achieving higher economic growth, this being a necessary (although not sufficient) condition to poverty alleviation, in developing countries. Considerable cross-country evidence has shown that trade reform and openness increases growth of income and output (Sachs and Warner,

1995; and Dollar and Kraay, 2001).¹ Those developing countries that deepened their integration with the global economy have achieved income rises in excess of three times of those that did not (World Bank, 2002a).

While this supporting empirical evidence appears compelling to provide a policy prescription of trade liberalisation, there are considerable variations about this average linkage of trade openness, improved economic performance leading to poverty reduction. The experience of the world's poorest countries and those sectors where the poor are predominantly located have diverged significantly. While the share of developing countries in global export markets has risen by almost seven per cent during the 1990s to represent 25 per cent of world non-energy merchandise trade, the export share of the 49 poorest countries in the world declined from three percent in the 1950s to less than one half of one per cent over the last decade (UNCTAD, 2001). Importantly the expansion of trade volumes in agriculture and labour-intensive manufactures (sectors where the poor are predominantly located) have fallen behind growth in world trade over the last decade.

These divergences reflect three core elements: (i) the supporting domestic policy agenda to ensure the success of trade reform for economic growth and poverty reduction, (ii) the global trading environment that a country faces and (iii) the adequacy and effectiveness of trade-related capacity building to reinforce country efforts.

Reducing trade barriers must be accompanied by other policies and regulatory and institutional reform that enhances the investment environment and productivity growth. A sustainable programme requires mutually reinforcing policies designed to ensure the supply response and promote pro-poor growth. Although the specific complementary policy issues facing each country are different, ongoing analyses and research have brought the following elements to the fore: the importance of sound macroeconomic, financial, regulatory, institutional and governance policies (World Bank, 2000; and Dollar and Kraay, 2001) as well as assessing the impact of trade reform on fiscal revenues, the agriculture sector and the effective provision and adequacy of social safety nets (DFID, 2001b). It is not going to be the case that all of these issues are pertinent to any one country, but by identifying and prioritising those that are, significant gains from liberalisation can be realised (McCulloch, Winters and Cirera, 2001).²

Of no less importance is the global trading environment that developing

¹ For a more complete list of the literature on trade openness and growth, see *Global Economic Prospects and Developing Countries*, The World Bank (2002a).

² Rodriguez and Rodrik (1999) argue that while there is a strong link associated between exports and growth, it is unclear as to whether this link is a consequence of exports causing output growth, or of the two being jointly determined by the strength of countries' institutions. Even accepting this, the resulting policy requirement is still a comprehensive approach to development that includes improving a range of institutions as part of the complementary agenda to support trade reform.

countries face, and centres on two issues, namely, market access and the global trade rules. On *market access*, despite progress, in sectors of importance, developing countries still face tariffs and non-tariff barriers which remain prohibitively high. The poorest – those living below the international poverty line of \$2.00 a day – work mostly in labour-intensive sectors and agriculture, encounter average applied tariffs that are more than twice as high as the non-poor (World Bank, 2002b). Such a distortion in the global market makes it extremely difficult to argue the case for domestic reform in developing countries. Market access issues also extend beyond traditional tariffs; contingent protection (notably anti-dumping) has increased while product standards and technical regulations can also be another source of market access barriers.

While *effective multilateral trade rules* can benefit rich and poor countries alike, harmonisation of trade rules and institutions must take into account the development profile of a country and notably on a country's implementation capacity, including an assessment of the availability of assistance, as well as crafting mechanisms that effectively apply appropriate flexibility and discretion to trade agreements to meet the needs of developing countries.

In a resource-constrained environment (both with respect to domestic savings and foreign resources), it is important that improvements and efforts to reshape the global trade architecture to benefit developing countries be mutually reinforcing. Trade-related capacity building should support a country's overall domestic trade agenda which in turn needs to be formulated and prioritised as appropriate within a country's development process (given other competing challenges). Equally trade-related technical and capacity-building assistance alone without meaningful market access improvements and international trade rules that adequately reflect the development dimension will not provide much benefit.³

3. NATURE AND DELIVERY OF TRADE-RELATED CAPACITY BUILDING

Trade-related Capacity Building refers to:

A coherent set of activities by donors (bilateral and multilateral) and partner countries designed to enhance the ability of policy-makers, enterprises and civil society actors in-country to improve trade performance through policy and institutional strengthening as part of a comprehensive approach to achieve a country's overall development goals and poverty reduction strategies (DFID, 2001b; and OECD, 2001).

Given the importance of trade and the growing complexity of the multilateral trading system and increased participation of developing countries, the nature and

³ Nagarajan (1999) estimated that total developing country gains from a 50 per cent cut in tariffs, by developed and developing countries, would be in the order of \$150 billion – around three times aid flows.

scope of assistance in the trade-related arena has evolved over time. Promoting trade development has on the whole been focused within limited sets of policy interventions and support measures by the multilateral agencies and partner countries and therefore bilateral donor involvement has correspondingly been narrow. Table 1 provides information on trade-related assistance provided by the key multilateral agencies.

The problem is that over time, trade-related assistance has been delivered, frequently randomly, indiscriminately and more often than not on a stand-alone basis. There has been a vertical multiplicity of trade-related assistance initiatives with little to no horizontal coordination (OECD, 2001). Assistance can

TABLE 1
Trade-related Assistance Provided by the Multilateral Agencies

<i>Organisation</i>	<i>Activities</i>
IMF	Trade policy advice provided either in the context of country surveillance and/or programme support and considered in a broader economic and social framework. Normally will include an assessment of the key complementary policy requirements to support in-country trade reform – notably in fiscal policy and the adequacy of social safety nets. Trade-related technical assistance focused primarily on trade facilitation issues (customs administration) but also on external trade data collation.
ITC	Emphasis on enterprise-oriented aspects of trade policy and trade promotion such as business implications of multilateral and regional agreements, private sector involvement in trade policy and management of regulation-related issues by businesses. Hands-on training, assistance in data collation, analysis and institutional matters to favour private sector capability in trade policy-making, managing of regulatory issues in trade and compliance.
UNCTAD	Policy analysis on trade and investment – advocacy of developing country interests. Analysis of trade policy options in the context of economic development. Trade-related technical assistance includes training and support in trade negotiations and implementation of commitments, accessions advice and customs administration.
UNDP	Trade policy options considered in the broader context of economic and social development. Complementary policy analysis to support trade reform. Sector-specific trade assistance, in areas such as agriculture, fisheries, tourism and textiles. Private sector engagement in trade policy-making.
World Bank	Trade issues are considered in a broader economic and social context of development and investment-related policies. Creation and dissemination of a core knowledge base that combines policy-relevant research, advocacy, capacity-building, training and operational support for trade at the country-level, including networking to link think tanks and trade policy-makers, in-country.
WTO	Emphasis on the WTO agreements. Factual information on WTO rights and obligations of developing countries and progress in trade negotiations. Training and consultation to assist developing country members in applying the Agreements and using the WTO mechanisms.

frequently be delivered with little evaluation of a coherent development framework in which a trade agenda needs to prioritise areas of action, to improve the ability of the country to increase productivity growth that provides for poverty alleviation and welfare gains. Trade-related assistance initiatives are often primarily aimed at assisting developing countries to meet existing trade obligations or as part of other agreements (regional in particular) or future negotiations, often taking the form of seminars/training for a limited number of trade officials. Such assistance is often conceived by the provider (i.e. supply driven) with little consultation and assessment of the beneficiary's particular need and consequently does little to help in-country capacity to formulate trade policy. Therefore, the overall impact has been diffuse and difficult to gauge. In addition, the exclusive focus on trade issues without adequate concern of the implications of the policy on the environment, and/or need for social protection also undermines the efficacy of such assistance from the perspective of sustainable development (ICTSD, 2001).

No less important is the need to ensure that assistance is as impartial as possible and this is particularly difficult in the area of trade. Capacity building needs to strengthen the recipient country's ability to take independent positions on trade issues and develop its own trade policy. Earmarking support for selective capacity-building initiatives can be highly distortionary, with donors discriminating positively in favour of assistance that generates benefits to their own economies or firms and negatively in competing areas that may be seen to harm their own interests in the short term (for example, favouring assistance for investment negotiations against efforts to improve market access and help countries meet product standard requirements (ECDPM, 2001)).

There are many organisations and bodies that have the comparative advantage and competence to provide specialised support to countries. In addition to those listed in Table 1, other specialised agencies include the BIS, FAO, ISO, UNIDO, WCO and WIPO, as well as the regional institutions and banks. However, mechanisms to harness this support and assess and mobilise the implied additional financial resources for assistance, are required, and this arguably represents one of the biggest challenges for the effective delivery of TRCB.

Such mechanisms need to be established at two levels to support countries: firstly, in-country, to help formulate appropriate trade positions as well as to prioritise trade reform in the context of the overall development strategy, and secondly, within the global rule-making process to ensure that implementation of WTO rules makes sense from a development perspective. Both of these components are considered in turn.

4. HOW TO PUT THIS INTO PRACTICE

a. A Trade Agenda for Development – the Integrated Framework (IF) Approach

The WTO Singapore Ministerial Conference (December 1996) mandated a more 'integrated approach to assisting LDCs to enhance their trading opportunities' (Integrated Framework – IF), requesting the six core agencies providing trade-related capacity building and technical assistance (UNCTAD, the International Trade Centre (ITC), UNDP, WTO, IMF and the World Bank) to collaborate more closely, and with bilateral donors to achieve a more efficient and coherent delivery of assistance (WTO document, para. 2, WT/LDC/HL/1 Rev.1 October 1997).

Three years of IF implementation made evident several problems, which were highlighted in the mandated review of the IF and again related primarily to the stand-alone nature in the provision of trade-related assistance (Rajapatirana et al., 2000). The original IF process failed at three levels:

At the country level: identified assistance 'needs' were largely generated by the trade ministries (or in some cases just the Geneva trade missions) with little to no broader consultation in-country and across other departments which would be more closely engaged in the country's overall development assistance programmes (notably Finance, Planning, Agriculture, Social Services) and with practically no consultation with other stakeholders in-country. This lack of 'ownership' in-country made trade reform and implementation to comply with WTO agreements very difficult and, consequently, the importance of trade and required trade-related capacity assistance failed to be sufficiently prioritised (if at all) into a country's overall development process.

At the agency level: key lending agencies responsible for donor meetings understandably gave little priority to the rather limited set of assistance requests and consequently financing failed to materialise. More significantly, however, country programmes may not have sufficiently prioritised trade and assessed an appropriate trade agenda. Importantly the medium-term financial viability of country programmes supported by the key lending agencies, and notably those under the enhanced HIPC (Heavily Indebted Poor Countries) initiative, are predicated on realising export growth rates and economic performance beyond historical rates and in several countries significantly so. While it would be expected that the adjustment programmes should achieve improved economic and welfare performance, gains in trade are essential to their overall success.

At the donor level: given the above factors a constituency to support trade amongst bilateral development agencies has been very slow to develop. The interaction and engagement between trade and development communities has been weak. Few bilateral development agencies have a dedicated trade unit and

few trade departments a developing country focus. The IF mandate from the WTO Singapore Ministerial was largely made by trade ministers with little consultation with their respective development agencies nor with other multilateral agencies who are responsible for the development assistance budgets and programmes (which are predominantly located in-country).

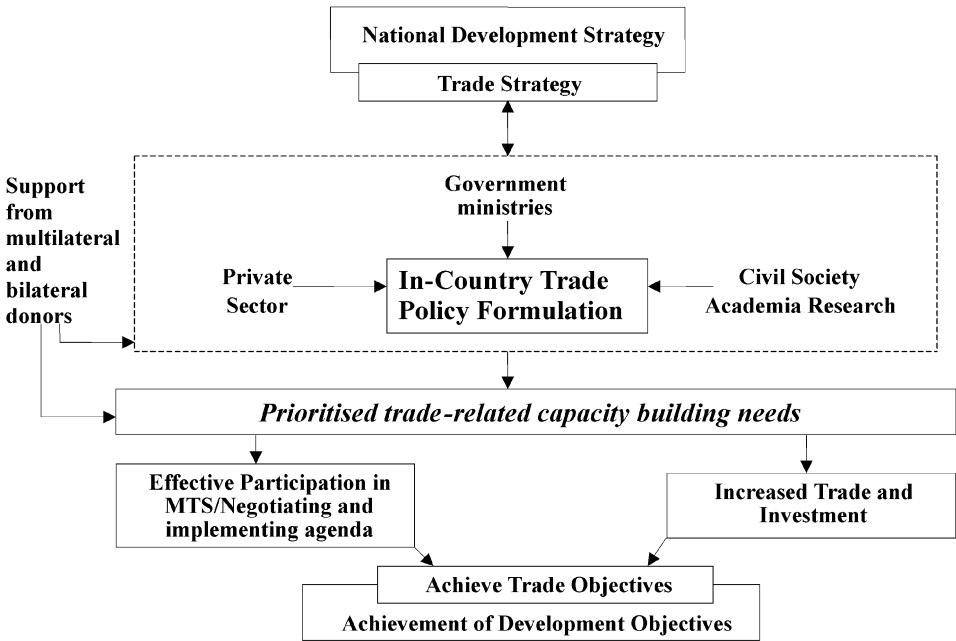
An enhanced IF programme has now been put in place (May 2001) the modalities of which are to address these issues at all three levels. The basic purpose is to embed a trade agenda into a country's overall development strategy (in most cases the PRSP (Poverty Reduction Strategy Paper) or UNDAF (UN Development Assistance Framework) process) and ensure TRCB is coherent to the trade policy aims of the country concerned, and prioritised with other development assistance needs. The process starts with analysis, a trade diagnostic study: this assessment looks at a number of issues, including establishing the link between trade development on the one hand and poverty reduction on the other, the impact of trade reform on economic growth and development in the country, the complementary policy agenda necessary to support successful trade reform, market access issues and an assessment (matrix) of prioritised trade-related capacity building and technical assistance needs that are linked to the country's overall development strategy (Figure 1). This assessment is undertaken in-country and in partnership with a lead agency such as the World Bank/UNDP. A small tripartite task force has been formed comprising the multilateral agencies, and donors and recipient country representatives (the Inter-Agency Working Group). The IAWG reports to a recently established Integrated Framework Steering Committee at the WTO thereby engaging the trade community and also reports to the heads of six agencies which meet periodically to discuss progress under the IF. A trust fund has been established (with seventeen bilateral donors) to fund the 'integration studies' and selective technical assistance related to human capacity building.⁴

(i) Case study of Cambodia

One of the first countries to undertake and complete a trade integration diagnostic study was Cambodia. The study of Cambodia's trade policy priorities

⁴ Terms of reference for the IF pilot programme can be found in WTO document WT/LDC/SWG/IF/13. Work on three countries began in May 2001, and work on a further four countries has been initiated. The intention is to extend the benefits of the IF to as many LDCs as possible by the time of the conclusion of the new Doha Trade round and to support the IF concept to several non-LDC low-income economies, as appropriate (see, Joint Communiqué by the Six Core Agencies of the Integrated Framework – IMF, ITC, UNCTAD, UNDP, World Bank and WTO, WTO document WT/IFSC/1, February 2002). The present criteria for selecting a country are broadly as follows: (i) demonstration of a strong commitment in-country to integrate trade into the national development strategy, (ii) the preparatory stage of the development programme, (iii) the preparatory stage of lead agencies donor meetings, and (iv) conducive operational country environment (i.e. pace of domestic reform, resource base of the lead agencies country offices, likely donor response) (for details see WTO document; WT/IFSC/W/9).

FIGURE 1
National Development Strategy and the Trade Policy Process



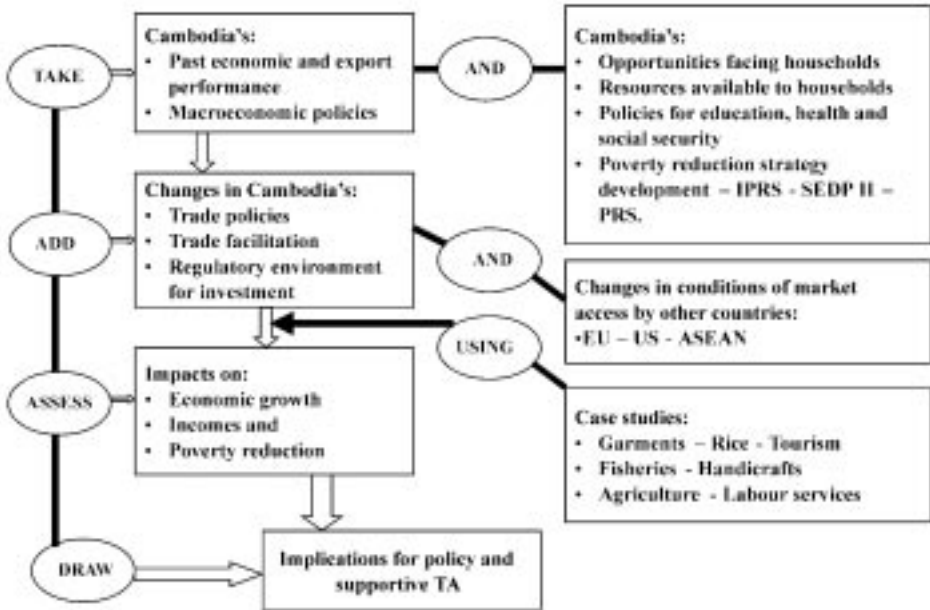
Source: OECD/DFID.

and implied technical assistance requirements was compiled in-country with support from the six core agencies and drew on analysis and surveys covering the macroeconomic environment (IMF/UNDP/Asia Development Bank), trade policy reform (notably WTO accession (UNCTAD/WTO) and trade facilitation (IMF)) and assessed poverty impacts as well as market access impediments. The World Bank was lead task manager. Seven sector case studies provided operational advice to improve performance and welfare gains and assess assistance activities (Royal Government of Cambodia, 2002).

The trade agenda has been formulated in tandem to the PRSP process with the full Poverty Reduction Strategy and Papers due in mid-2002. As a starting point the trade strategy was guided by an early assessment of the incidence and nature of poverty using Cambodian poverty surveys and identified the importance of reducing impediments to trade for rural household production in areas such as diversified agriculture, handicrafts and labour services. In addition, the impact of trade reform (notably tariff reductions) was assessed using household survey data.

The study surveyed behind the border constraints finding transport costs a significant deterrent, requiring both policy changes and assistance. While WTO accession is reasonably well advanced the study highlighted how demanding it can be for a small developing country to comply with the WTO requirements.

FIGURE 2
Cambodia's Integrated Framework Approach



Source: Royal Government of Cambodia, (2001).

Prioritised assistance in several areas were identified to build domestic capacity to assess and develop trade policy on its merits and included analysis of the administrative capacity and costs to implement WTO obligations (see the Appendix). Improvements to customs administration and trade facilitation were highlighted as priorities for the country with both policy and assistance recommendations. Sector analysis covered agriculture (rice in particular), handicrafts, fisheries, and garments, tourism, information technology and labour services providing policy and technical assistance recommendations to increase export performance and support broad-based welfare gains. Market access impediments and associated costs (notably satisfying rules of origin and product standard requirements) were highlighted with accompanying assistance recommendations (Figure 2).

The modalities of the re-launched IF have only recently been established and inevitably will take time, lesson learning and refinement. However, as can be seen in the Appendix, the prioritised matrix of capacity-building needs which evolves from the process has more easily brought together a coherent response by donor and multilateral agencies in-country to the trade agenda elaborated by the country, than any stand-alone initiatives could have achieved. Moreover, consensus to a broad-based demand-driven approach reduces the likelihood that assistance will be biased and partial. However, this represents only the start of the process. The success of

this initiative can only be determined over the medium-term taking into account the extent to which the trade agenda including the policy recommendations are meaningfully included into the country's development process, and the extent to which bilateral and multilateral agencies continue to respond to the capacity-building needs through the normal round table and consultative group processes of the key lending agencies, and bilateral donor country programmes and according to the comparative advantage, the activities of other multilateral agencies. Ultimately, success can only be defined on the basis that realised trade improvements will promote growth and contribute to welfare gains.

b. Implementation of Global Trade Rules that Reflect the Development Dimension

WTO agreements include a large number of provisions regarding differential and more favourable treatment of developing and least developed countries – usually referred to as ‘Special and Differential Treatment’ (S and D treatment). In all, the Uruguay Round agreements contain 155 different provisions of S and D treatment for developing country members with additional references for the LDCs and broadly can be divided into four categories (Eglin, 2001): (i) flexibility under the rules to introduce and maintain trade restrictions and subsidies; (ii) non-reciprocity (i.e. liberalisation between developed and developing countries can be asymmetric); (iii) recognised trade preferences for certain country groupings; and (iv) longer transition periods in which to implement GATT/WTO obligations.⁵

All provisions were in large part an ‘add-on’ to agreements already fully negotiated during the Uruguay Round (Michalopoulos, 2000). The first two categories relate primarily to providing more flexibility to protect domestic markets compared to developed countries. Such preferential treatment may well enforce protectionist domestic rent-seeking groups or they may provide the flexibility to prioritise trade reform and ensure that the complementary policies are in place. Either way, the benefits of these provisions are largely determined by the national perspective (Whalley, 1999). With respect to the third category, the relevance of trade preferences has to a greater extent been eroded as MFN tariffs have come down. It is the last category (transition periods) that is considered the main plank of S and D treatment in the Uruguay Round. However, transition periods on their own are not enough – as can be seen from the implementation problems that many countries now face after the Uruguay Round – although long transition periods have been applied – during the intervening period little to no coherent assistance has been given to build capacity nor to facilitate an understanding of the development relevance of meeting the rules.

⁵ Within these categories special provisions relate to least-developed country members and technical assistance.

There is considerable dissatisfaction by both developed and developing countries with the current system of S and D treatment and implementation. The provisions as currently crafted have inevitably generated an 'opt-in/opt-out' debate on meeting WTO obligations rather than on how to provide an enabling process to facilitate developing countries full participation to the multilateral trading system.

Besides longer transition periods, two other components are essential, namely (i) an assessment of the cost against the availability of resources to help build capacity to implement WTO agreements;⁶ and (ii) an analysis and recommendation of appropriate policy sequencing to meet WTO commitments within the context of the country's overall development process. Meaningful provisions to facilitate developing country *inclusion* to the global rule-making system, requires that these three components of appropriate transition and review periods, capacity-building needs, and sequencing into a country's overall development priorities are brought together to provide a process that can be embodied into the multilateral trading rules. In terms of future negotiations without such a mechanism it will be difficult to build 'credibility' to negotiate additional regulatory areas such as trade facilitation, trade in services, environment, investment or competition for fear that trade will be used to enforce standards that are sub-optimal from a national development perspective (Hoekman, 2001).

The lack of a coherent policy approach also applies to implementation, which at present is highly fragmented. Currently implementation concerns are handled by each respective WTO committee (i.e. as with S and D treatment it is agreement specific; for example, Customs Valuation, Sanitary and Phytosanitary Standards (SPS), and intellectual property law (TRIPs)). Each committee is instructed to develop and implement an assistance programme and all providers of assistance are requested to make available information and support to the respective committees. While this may have the benefit of identifying best-practice principles within each specific agreement, it runs counter to the basic notion that trade policy including implementation must be integrated and sequenced into the overall development strategy of the country. Within the WTO structure, it is highly resource intensive requiring developing country members to participate and negotiate within each committee. Moreover, it does nothing to place implementation and trade issues within the context of country assistance programmes of the multilateral organisations and bilateral donors. Consequently, if this approach is retained, reflecting the failure of the old IF approach, financing for trade-related assistance will remain limited and unlikely to materialise in the future.

⁶ WTO rules are largely designed and applied by high-income countries and although they may well be best practice principles they may be difficult for many poor countries to implement. Post-Uruguay Round research (notably Finger and Schuler, 2000; and Finger, 2001) has highlighted the significant costs of complying with various WTO obligations – particularly customs valuation, SPS and the TRIPs Agreements. To meet these three Agreements the cost to restructure domestic regulations is estimated to come to \$150 million.

5. AN ISSUES-BASED APPROACH

An issues-based approach would be country specific (Breckenridge, 2002; and Hoekman, 2001). Such a mechanism would allow the country in partnership with a recognised development expert or panel of experts (comprising, for example, another multilateral organisation and/or bilateral partner and/or recognised individual expert) to assess, within the country's overall development strategy (i.e. within an economic perspective) and present, the transition requirements and sequencing for implementing agreements, given competing demands on developing country resources. This would also include an appraisal of the associated costs of implementation, taking into account the availability and need for assistance. Such an assessment would be akin to the revised Integrated Framework approach and could be informed by the national development strategies and programmes of countries and notably those undertaking PRSPs and UNDAF. The process could be housed within a revised Trade Policy Review Mechanism of the WTO or under the WTO Committee on Trade and Development. The WTO membership can then decide on the legitimacy of the requested timetable and need for assistance.

This proposal could be considered somewhat analogous to Article XVIII:B and Article XII of the GATT which provides a mechanism for developing countries to justify import restrictions and a more modified timetable of liberalisation given the economic circumstances prevailing in the country. The IMF is usually called upon to give supporting documentation and advise. To some extent it would emulate practices in the area of financial standards where countries converge on internationally agreed minimum norms at different speeds, through a process of surveillance and appropriate assistance from multilateral and bilateral donors.

Such a mechanism would provide a more enabling environment of surveillance, to engage and meet country concerns and address specific issues pertinent to each case. It would represent a process of arbitration to meet the implementation and special needs of developing countries, with dispute settlement available only as a last resort. It would be a credible mechanism to address not only existing implementation difficulties but also those associated with possible future agreements. This approach would generate stronger coherence in policy; at the country level with the implementation of WTO obligations consistent with the country's overall development strategy; between the multilateral organisations and the WTO rule-making process; and at the donor level with a closer communication between the trade and development communities.

Merits of this approach would also include addressing several of the problems associated with the current country classification system and demands for new country groupings within the WTO (Page, 2000). In particular, it would provide a process for countries to graduate from the preference schemes allocated to certain country groups as currently structured within the WTO rules. Issues pertinent to

the country which reflect its current circumstances, for example as a small economy and/or land locked and/or a highly indebted country, would be assessed accordingly, thereby making the need for explicit country classifications redundant. In addition this process could allow for credit or recognition to be assessed and given to countries that have undertaken meaningful unilateral action in some areas but where more time and resources would be necessary in others. Furthermore, this approach would significantly help overstretched developing country representatives at the WTO in Geneva, who are compelled to attend a huge number of committee meetings and sessions in order to negotiate waivers, preferences, extensions, special treatment and assistance by agreement with little interpretation as to the development relevance of each component.

6. CONCLUSIONS

Trade can bring significant benefits to developing countries. A one per cent increase in Africa's share of world exports is equivalent to around five times the amount provided to the region through aid and debt relief (Oxfam, 2002). It makes enormous sense to provide assistance to help countries increase their participation in the multilateral trading system. The efficacy of 'aid for trade' is probably indisputable but the challenge is 'how' to utilise scarce resources and deliver tangible benefits to developing countries.

Problems with the existing provision of assistance for trade-related capacity building takes place at several levels, but mainly relates to both recipients and providers promoting trade development by focusing on very limited sets of policy interventions. Assistance is rarely provided within a coherent development framework in which a trade agenda prioritises areas of action, to improve the ability of the country to increase trade and productivity growth that provides for poverty alleviation and welfare gains. Equally, mechanisms within the multilateral trade rules to assess and take account of the implementation costs, the availability and need for assistance, and the appropriate transition and sequencing of policy to meet WTO obligations to ensure that other vital development-related priorities are not diverted, do not exist.

This paper argues that the effective delivery of trade-related capacity building relates specifically to establishing viable mechanisms at both of these levels: firstly, in-country to promote and help formulate appropriate trade positions as well as to place trade reform in the context of the country's overall development objectives; and secondly, within the global rule-making process to ensure that implementation of agreements takes into account the capacity-building needs and assistance available, and is appropriately sequenced into a country's overall development process. Many developing countries already are encountering significant problems implementing current WTO obligations. Without

establishing viable mechanisms to effectively address these legitimate concerns, it makes it very difficult to provide a credible case for developing countries to engage in future negotiations to harmonise additional domestic regulatory policies and notably in areas such as trade facilitation, investment, competition, environment, and trade in services.

This paper elaborates an issues-based approach to support developing country participation and implementation to the multilateral trading system. The country would present the transition requirements and sequencing necessary to implement agreements given competing demands on developing country resources and would take into account the availability and need for additional assistance, based on the associated costs of implementation. The process would be somewhat analogous to Article XVIII:B and Article XII of the GATT, with the WTO membership deciding on the legitimacy of the request.

Such a system has considerable merits: a process of consultation and arbitration with dispute settlement only as a last option, it would provide a more enabling environment to meet country concerns; it would encourage stronger coherence in policy, both at the country and donor level; country classifications would be determined implicitly rather than explicitly according to the country circumstances and would allow a process of graduation from the current preference systems which in many respects acts as a 'poverty trap' for many countries; it could also give recognition and assess credit for unilateral action; moreover, it would not only tackle current implementation difficulties it would provide a 'credible' mechanism and assurance to developing countries to negotiate regulatory disciplines in new areas which potentially can have considerable benefits but need to be undertaken within the context of the country's development priorities and availability of assistance.

APPENDIX

Cambodia: Integrated Framework for Trade-Related Capacity Building – Matrix of Assistance Needs

Technical assistance matrix

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
<i>Policy actions to enhance competitiveness</i>			
<i>Macroeconomic policy</i>			
Improve budgetary performance through revenue mobilisation.	Strengthen macroeconomic management capabilities.	Ministry of Economy and Finance National Bank of Cambodia	Long-term
	Develop sound banking and payments systems.	World Bank	
	Establish a financial market relying on government securities and other real denominated assets.	IMF UNDP ADB and several donors	
Increase access to credit and lower its cost.			
<i>Trade policy</i>			
Support WTO accession.	Continue ongoing assistance with Cambodia's legislative reform under WTO accession.	Ministry of Commerce Japan, Canada, Singapore	Medium-term
	Establish WTO consistent valuation procedures.	ESCAP	
	Strengthen and institutionalise trade protection measurement and trade policy review (see below).	German Technical Cooperation (GTZ)	

Build institutional capacity.	Advise on techniques for measuring levels and impacts of trade protection and taxation.	Ministry of Commerce	Immediate
	Advice and training for trade policy evaluation and reporting.	Ministry of Economy and Finance	
	Assist specific reviews (for example, the cascading tariff), export controls and taxes, implications of binding at different levels.	Affected sector Ministries	
		IF Steering Committee	
	Review export marketing arrangements for relevant sector studies	Affected sector Ministries	
		Bilateral & Multilateral Donors	
	Strengthen the IF Steering Committee	WTOInternational Trade Centre	
<i>Trade facilitation: customs</i>			
Reduce the degree of unofficial interventions and increase transparency, to enhance customs efficiency.	Simplify the tariff and associated arrangements including trade preferences and duty exemptions.	Ministry of Commerce	Immediate
		Ministry of Finance	
Reduce institutional duplication.	Support computerisation and automation of procedures and information systems.	Council of Ministers	Medium-term
		WTO	
Introduce equitable enforcement of the law.	Clarify the roles and responsibilities of the several overlapping agencies involved in border inspection.	IMF	
		JICA	Long-term
Strengthen capacity in customs administration and improve incentives for staff.	Support the establishment of an independent appeals office on custom matters.	ADB	
		ESCAP	
	Support professionalisation of officials with appropriate rewards, accountability and recruitment of young computer literate people.		Immediate

Technical assistance matrix (continued)

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
	Support computerisation in related agencies.		
<i>Trade facilitation: transport</i>			
Reduce the cost of transport by improving quality and reducing unofficial fees and charges.	Examine options for road use charges (i.e. examine the implications of fund raising and fund sharing at local levels of road funds raised by way of fuel taxes, property taxes and concessions for toll road operations).	JICA ADB	Immediate
	Review models of port management. Determine how unofficial fees and charges are used. Do they go to private use or are they used for semi-public activities? What services, if any, flow from these charges? Does the incidence vary across regions and provinces? Do such facilitation fees support provincial government activities?	World Bank IMF JICA	Immediate
	Assess how customs services should be designed and delivered in a zone situation.		Immediate
	Identify the management model to be followed, pricing for land and access to the zone, who should supply power, telecommunications etc. and pricing for these services, and investment incentives.		Immediate
	Make the trade support network operational by, amongst other things,		

Sector studies – general

Limited information among producers about methods of production and market.

building capacity of trade support network stake holders.

Complete the national and provincial resources data bank as a support tool for promoting trade and investment.

Ministry of Commerce

Immediate

Disseminate information to key stake holders.

Lack of institutional arrangements for producers to gather and share information about technology and markets.

Foster the formation of and capacity building in producer organisations and federations at the national and provincial level.

Diversified agriculture and agro-processing

Barriers to agriculture diversification and international market access include access to capital and technology, poor information flow, inadequate infrastructure (transport, energy, communications) ineffective regulatory institutions, lack of modern business skills, and rudimentary private sector institutional base.

Establish ‘agro-enterprise support programme (incubator Project)’ to nurture cooperation on production, markets, technology and information and the development of international market oriented business skills. Identify and provide technical assistance to private sector groups in the form of business development services, to assess the structure and opportunities of existing Cambodian agro-processing enterprises, develop industry associations, and pilot new export-oriented ventures in the private sector.

Ministry of Commerce

Immediate

Ministry of Agriculture

Cambodia Agricultural Research and Development Institute (CARDI)

International Trade Centre

World Bank, IMF-MPDF

DFID, SIDA, Danida, GTZ, CIDA, JICA

Technical assistance matrix (continued)

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
Cambodian agro-industry is overwhelmingly micro to small enterprise. Production itself is mostly small-holder based.			
Private sector organisation in the agriculture and agribusiness sector is only just emerging (Rice Millers' Associations).	Build social capital in form of private sector organisations capable of resource mobilisation, self-regulation, and partnering with Government as civil society institutions.	Private Sector Associations NGOs Donors	Medium-term
Rice has been the focus of R&D and extension. Identify opportunities to break into new 'niche' products.	Assess comparative and competitive advantage in existing and new products such as spices, herbs, essential oils, oil-seeds, and processed vegetables.	Ministry of Commerce Ministry of Agriculture ITC, Bilateral Donors Private Sector	Immediate
Strengthen infrastructure.	Identify specific infrastructural needs that are likely to have high pay-offs in transport, energy and communications, and develop proposals for targeted infrastructure investment.	Ministry of Commerce Ministry of Posts & Telecommunications ADB, WB, ILO Ministry of Finance	Immediate
Strengthen markets for key assets: credit and land.			
Improve information base and information flow.	Explore other means of building information bases and enabling information flow, especially through IT approaches.	Ministry of Commerce Ministry of Agriculture	Immediate
Information is lacking on market opportunities for Cambodian goods.	Develop a series of senior official trade missions to identify market opportunities and to enable working relations with counterpart officials in potential trade partner countries.	Japan, IFC, ADB, Bilaterals WTO	Medium-term

Effective implementation of new land law is crucial.

Identify 'success' models of Cambodian agro-enterprises and build on them.

Clarify barriers to trade in rice and other goods as a basis for their eventual dismantling.

Handicrafts

Cambodian handicrafts are of increasingly high quality based on cottage industry skills. They are not well known in international markets.

Conduct research into the nation's resources of skilled artisans and their products, and explore the matching of these assets to the demands of the external market, both regional and world-wide.

Immediate

Institutional infrastructure to support handicrafts is very weak at the production level, and as yet not coordinated at the Government level.

Develop coordination mechanisms among Ministries.

Ministries of: Women's and Veterans' Affairs; Commerce; Industry Mines and Energy; Social Affairs, Labour, and Vocational Training; Planning; Tourism; and Culture.

Medium-term

Ministry of Commerce as focal point

JICA, WTO

Information about potential markets and required standards for design and production quality is not available to handicraft producers.

Establish a National Handicraft Trading Facility, to support development of independent producer associations and a National Handicraft Producers' Federation, develop information base to match market demand with Cambodian handicraft production capacity, promote quality assurance mechanisms for Cambodian product identity, and broker commercialisation of products.

Ministry of Commerce
Ministry of Women's and Veterans' Affairs
Ministry of Foreign Affairs
Ministry of Tourism
MSALVY
Japan, UNESCO, ADB
ITC Artisanal Enterprise Network
Bilaterals

Immediate

Access to working capital for producers is very limited.

Technical assistance matrix (continued)

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
<i>Freshwater fisheries</i>			
Sub-optimal fisheries marketing and distribution due to current single exporter arrangement.	Encourage investment and interest in the fisheries industry through provincial level business development marketing workshops.	Ministry of Fisheries Ministry of Commerce ADB	
	Dismantle barriers to entry into export marketing.	ESCAP FACT	
Marine fisheries in Cambodia lack management and focus. Most catches are sold directly to Thai traders on the high seas with no long-term value gained for Cambodia.	Encourage the formation of a marine fisheries industry for Cambodia through partnerships with export and import private sector firms and public sector information sharing.	USAID Competitive Initiative	
Disconnect between fisheries sector participants and the international fisheries markets – local and domestic.	Assist in forming working groups and encouraging fisheries industry participants to actively share problems and concerns.	Ministry of Commerce	
	Encourage market development of Cambodia-based markets, rather than having markets located directly across the borders.	ASEAN Working Groups and regional chambers of commerce and industry associations	
Poor information base.	Take fisheries participants to visit regional market countries where they can interact with fisheries importers and exporters.	Denmark and Norway	

Various jurisdictions are involved in determining the collection and allocation of the fisheries resource.

The Cambodian fisheries market is recognised regionally and internationally. Reasons for lack of investment include a lack of information on available products, excessive export taxes, inefficient and expensive customs and shipping agencies, and too few participants, which indicate an immature market.

Assist industry working groups to begin assembling data on fish catches – varieties, quantities, and qualities – so that discussions with regional traders are informed.

Build on emerging IT data management capacity to develop information systems into households on markets and production.

Determine the value of an interministerial working group or other legislation with MoC taking a neutral role and brokering agreements on taxation and enforcement.

Evaluation of the 10 per cent export tax, the 4 per cent distribution tax and the fishing export licensing fee, production and marketing decisions in fish exports and the impact of having a sole exporter. Assess effect on formal versus informal activities and implications for government revenue and exporting.

Develop a programme to encourage technology upgrades through demonstration projects, such as investment in packaging machinery and upgrading of hygiene standards.

Encourage a different form of taxation based on reduced tax fees for value-added productive uses and processing technology investments.

Assess the impact on incentives for short-term exploitation of extending lease periods longer than to four years.

Technical assistance matrix (continued)

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
	Investigate the extent and impacts of the allocation of fisheries access by non-transparent methods.		
	Build private sector capacity for meeting health and quarantine standards for fish exports into developed country markets.		
	Facilitate development of private sector organisations and support education and development of industry networks.		
<i>Garments</i>			
Increase understanding of the true competitive advantage of garments.	Determine the capacity of Cambodian producers to compete post-2005, compare costs and quotas facing main competitors and assess prospects for productivity gains.	Ministry of Commerce	
Overcome existing tariff and quota restrictions (e.g. on local content requirements and product standards).	Assess the impacts of existing preferential arrangements on Cambodia's cost structure.	Ministry of Social Welfare, Labour and Veteran Affairs	
Achieve a more efficient and equitable distribution of quota rents.	Increase capacity to analyse impact of market access restrictions and to negotiate better.	Council for the Development of Cambodia	
Increase labour market flexibility in garments sector.	Determine the distribution of benefits/rents arising from the existing system and develop alternative options.	IMF Resident Customs Adviser	
	Explore alternative profit-sharing system such as flexible year-end bonuses instead of minimum wage.		

Examine role of small and medium firms.

Examine options for promotions of Cambodian product.

Conduct analysis of EBA initiative and GSP access.

Provide assistance with quality and standards.

Examine options for saving on wastage in production.

Tourism

Develop a strategic vision based on empirical data and which takes into account the fact that many inputs into tourism are sourced from foreign supplies.

Support the collection of international industry statistics and their analysis to determine, strategically where resources should best be focused.

Examine the net benefits of tourism to Cambodia to focus resources on the areas with greatest long-term potential.

Assess tourism's potential and develop a tourism strategy through a multi-ministerial working group.

Evaluate the appropriate role of government in regulating, setting charges and standards.

Develop inter-ministerial working groups to raise the profile of tourism and to ensure that cross-sectoral constraining issues (health, transport, safety) are addressed.

Ministry of Tourism
Ministry of Interior
Ministry of Health
Environmental Planning
Ministry of Public Work

ADB
Ministry of Commerce
Bilateral donors

ASEAN

USAID competitive initiative

Technical assistance matrix (continued)

<i>Observations</i>	<i>Type of action</i>	<i>Agencies responsible/external support</i>	<i>Time frame</i>
	Encourage the opening of more border entry points with regional countries and help to create a seamless flow of tourists. Encourage Cambodians to invest in the transport, handicrafts and logistics services businesses through business development service support.		
	Develop provincial working groups of local merchants, agricultural producers, and tourism companies to encourage a sustainable, local source of service and product inputs.		
	Connect the local handicrafts and agricultural producer with the market and encourage, through demonstration projects, upgrading of products, packaging, and promotion of high-quality Cambodian brands to set Cambodia apart from Vietnamese and Thai products.		
<i>Labour services</i>			
Improve the regulatory framework for export of labour services.	Examine the relative weight of different factors in the explaining the weak performance of export of labour services.	Ministry of Social Welfare, Labour and Veteran Affairs (MSWLVA) Ministry of Interior	Immediate
	Review how other countries in the region have regulated labour exports.	Ministry of Foreign Affairs and International Cooperation	Medium-term
	Streamline passport application procedures.		

Source: Royal Government of Cambodia (2002).

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