

## HEMISPHERIC CO-OPERATION PROGRAMME

**Port of Spain, July 14, 2003**

The topic proposed for this workshop plays a crucial role in the overall creation process of a Hemispheric Free Trade Area. As a matter of fact, through a general examination of the objectives and purposes that have been designed for the FTAA – which we could summarise as the gradual removal of boundaries and barriers for all commercial sectors – it is easy to identify the challenges and opportunities presented by an area of this nature to its member countries. These challenges and opportunities have a different impact from the perspective of an economically developed country as opposed to that of a vulnerable economy.

In fact, for the former, the expansion of the hemispheric market represents an opportunity for their economies to become even more dynamic, however, for the less developed countries, this same event leads to a series of conditions and questions that must be fully answered and addressed in the FTAA creation process.

First of all, extending commercial boundaries to an area of 40 million km<sup>2</sup> and to a population of 800 million potential consumers would appear to be beneficial for all partners involved in this undertaking, but the reality always has different interpretations, depending on the perspective from which it is analysed.

So, while the gross national product of the United States is 9.8 trillion dollars, Haiti's GDP is recorded at 4 billion. Canada's per capita income is greater than 20 thousand dollars, while Ecuador's is not even 1,500 dollars. The three major economies of the Hemisphere, the United States, Canada and Brazil, have a GDP exceeding 700 billion dollars, while Grenada, St. Kitts and Nevis and St. Vincent and the Grenadines altogether record an annual GDP of one billion dollars. We can identify similar differentiations in the field of technological development and investment, access to education, health, life expectancy, etc.

These statistics reveal to us the massive differences and asymmetries existing within the hemisphere. It is therefore imperative that developing countries adopt a global support and technical assistance programme, which would take into consideration the different levels of development and size of the participating economies, so that all could benefit from the hemispheric integration process; otherwise, the success of this initiative would be seriously threatened.

This reality has been widely recognised in the Declarations and Plans of Action of the Summits of the Americas held thus far, and also by the Ministerial Meetings convened in the ambit of the FTAA.

In fact, all of these meetings have highlighted in general, the fact that economic integration and the creation of the FTAA will be highly complex tasks, given the vast differences existing in terms of the levels of development and size of the economies of the hemisphere. Assurances have also been given that these differences will be addressed in the negotiations taking place.

On the other hand, since Miami (1994), it has been expressed that national forces, individual innovations and capabilities, as well as the international community, will be used in order to achieve the objectives proposed.

Similarly, in the approved Plans of Action, it is reiterated that the creation of the FTAA will offer opportunities such as technical assistance to facilitate the integration of the smaller economies and increase their level of development (Miami 1994), while proposing specific action, although confined to international or Inter-American organisations (World Bank, IDB, OAS, ECLAC), which would establish or strengthen funds and other mechanisms to support micro and small companies (Miami, point 19 of the Plan of Action). With respect to education related issues, in recognition of the important role played by education in development, the Plan of Action of the Second Summit (Santiago de Chile, 1998) formulates a series of recommendations focussing especially on the members of the Tripartite Committee, to promote their co-operation in this field. Even though these recommendations fall outside the ambit of the FTAA, they must be made known if the process we are striving to create is to be truly beneficial to all States.

In the scope of the FTAA, the 2<sup>nd</sup> Summit urges the Tripartite Committee to consider the requests for technical assistance associated with the FTAA, presented by the member countries, particularly the small economies, for the purpose of facilitating their integration into the FTAA process, based on their respective procedures.

However, this concept has been developed through 7 Ministerial Declarations, in the negotiating groups in particular and also in the drafts of the FTAA chapter in this respect. Therefore, this effort, borne out of the evident acknowledgement of asymmetries, has been gaining form and cohesion through the negotiations held in each of the groups and promoted by none other than those countries with a greater need for the principles of special and differential treatment to be fully observed within the FTAA.

The notion of the possible structure of a Co-operation and Technical Assistance Programme in the Hemisphere has also developed according to the belief of its actors who perceive technical assistance as a mechanism for training negotiators in the process and for achieving full compliance with the agreements emerging from the FTAA, while there are those who believe that the HCP should serve as a tool for direct, specific and comprehensive support in favour of developing countries, so that they could not only honour the commitments arising out of the Free Trade Area, but also achieve economic and social development. All things considered, the latter believed that the issue of co-operation must not end with the signing of the agreement establishing the FTAA, but it should also serve as an instrument that would promote gradual and sustained growth in all economies, especially the more vulnerable. Successful integration experiences acknowledge that not only is the latter a viable concept, it is also

crucial in order to ensure that the process does not become stagnant and is able to accomplish all its objectives.

I will draw reference only to the last 4 Ministerial meetings: in San José (1998), Technical Assistance is confined to the Tripartite Committee that must provide technical co-operation associated with FTAA matters, and which is entrusted with the task of conducting a sectoral and casuistic analysis, so as to facilitate adjustment in the smaller economies and full participation in the FTAA by all countries; in Toronto (1999), the Tripartite Committee is specifically mandated to prepare an inventory of training opportunities, explore opportunities for technical assistance to facilitate the drafting of an inventory of measures affecting the services market and examine the opportunities for technical assistance to help countries establish national contact points, etc.; in Buenos Aires (2001), the importance of co-operation to strengthen the production capabilities and competitiveness of the economies is reiterated, while it is reaffirmed that technical assistance is vital in order to satisfy the needs of the less developed countries. Finally, during the Seventh Ministerial Meeting held in Quito, in November 2002, approval was given for the Hemispheric Co-operation Programme, which addresses these concerns and contains a balanced series of guidelines, concepts and objectives that have enjoyed support from all participating countries.

On the other hand, the countries of the hemisphere have identified their technical assistance needs in general, and with the support of the Tripartite Committee a Hemispheric Database covering requirements and possible donors has been created. However, a brief analysis of this information reveals that while it is countries' responsibility to identify their technical assistance needs in detail, it is the duty of the donor countries to present adequate information in order to reconcile both headings and facilitate the provision of the assistance required. In light of the foregoing, the HCP has as one of its implementation mechanisms, the development of national and/or regional strategies that identify the needs of the interested countries in three specific areas: namely, during negotiations (immediate needs), during the implementation of the agreement and for adjustment to the new integration scheme.

One of the problems arising in this area has been the identification of ways in which needs can be linked to the supply. With this objective in mind, the CGSE reached agreement on a mechanism involving donor entities meeting with those soliciting technical co-operation, through what is referred to as rounds of meetings. The first of these rounds will take place next October in Puebla and will present the HCP to the community of donors, once approval is received for the national or sub-regional strategies that I mentioned earlier.

In this respect, and bearing in mind the broad spectrum of needs already identified by the countries taking part in the FTAA, it became necessary to meticulously examine the possibilities of establishing a specific technical and financial scheme to implement the technical assistance programmes presented by countries, which will continue to be produced while we delve further into the hemispheric integration process. While we further broaden our commercial interdependence, new needs will undoubtedly surface, which must be addressed in each and every country, since they must not only adjust their legislation to the new trade structure resulting from FTAA agreements, but also develop specific institutions and strengthen some others in accordance with the commitments assumed in the hemispheric context. So, drawing just a few examples, for

countries without laws on competition (the majority within the hemisphere), in addition to issuing the respective regulations, they must also establish a national authority in this area and train staff to handle this new realm of inter-hemispheric relations. Similar comments may be formulated in the various negotiating schemes, since the group of national institutions will require sufficient support and modernisation so as to allow the complete incorporation of all economies of the hemisphere into the trade liberalisation process. Standardisation Institutes, Sanitary and Phytosanitary Control Entities, Statistical Offices, enhanced communications and national infrastructure, improved information channels, better information access and evaluation, are just a few of the aspects that will require Government attention and co-operation that could be fostered within the very structure of the FTAA and especially through the Hemispheric Co-operation Programme.

I do not want to deny the primary role played by countries themselves in achieving their own economic development, but I just want to point out the obvious differences that must be addressed via the HCP. During the last International Conference on Development Financing held in Monterrey, in March 2002, the importance of international trade as the main promoter of economic development was acknowledged on one hand, as long as developing countries establish proper institutions and policies to improve those already in existence, and on the condition that developed countries channel adequate resources toward international co-operation for development, so as to enable the former to mobilise sufficient resources toward achieving the goals of sustained and environmentally sustainable economic and social growth.

The foregoing clearly shows the importance of the hemispheric integration process in achieving a Global Co-operation Programme that would recognise the vast differences in the levels of development and size of the economies of the countries taking part in FTAA negotiations. As a result, the structure of the Hemispheric Co-operation Programme, approved as already indicated during the last FTAA Ministerial Meeting, constitutes a valuable contribution in defining this matter and contains the principal elements for ideal co-operation and technical assistance in the hemisphere.

Therefore, the Hemispheric Co-operation Programme is based on the principle that it will be placed within the context of the process of the Summits of the Americas, thereby broadening its scope to include not only trade negotiations, but all the objectives and principles agreed to by the Heads of State who have formulated an overall development agenda for the hemisphere, and which also constitutes a primary support component for the FTAA, which will coincide with the national development objectives and strategies and will form part of the agenda for economic growth, development and the reduction of poverty on the continent.

On the other hand, the HCP includes national and multilateral strategies for strengthening the production capabilities and competitiveness of economies, technological transfer and innovation, institutional strengthening, while increased coordination between the donors and recipients of technical assistance is anticipated, through plans and sub-programmes, with specific goals and objectives that reflect the priorities identified by countries for the short, medium and long term.

It is evident that an Assistance and Co-operation Programme at the Hemispheric level will require greater credits and financial flows toward developing countries. During the Conference on Development Financing, several mechanisms were identified that may be considered on this occasion, such as strengthening international and regional financing organisations like the IBRD, the IDB, as well as IMF credits. Together with this, it will be necessary for the management structures of these bodies to be more democratically organised and to render more flexible their conditionalities for guarantees, interest rates and reimbursement conditions.

At the same time, a definitive international commitment must be made to rectify the external debt problem plaguing several countries within the hemisphere and which dictates all national development policies.

In short, development financing and increased foreign trade can be achieved through three major avenues: internal resource mobilisation (solution to the external debt problem) by means of production savings; international resource mobilisation by way of investments and credits, in addition to improved financial and technical co-operation for development, an option whereby new scenarios may still be explored.

### **Scope and Content of the Hemispheric Co-operation Programme**

As previously indicated, the positions of the countries participating in the Consultative Group revealed on one hand, the need for the HCP to include not only FTAA negotiations, but also wider coverage, taking into consideration the objectives of the Summits of the Americas, incorporated into the development strategies of the participating countries themselves.

In that context, by adopting the Hemispheric Co-operation Programme, a balanced agreement was reached between these two positions. On one hand, since the HCP will be placed within the context of the process of the Summits of the Americas and given that it will in turn serve as a main contribution to the FTAA, these have been recognised as principles.

On the other hand, it has been acknowledged that it must coincide with national development objectives and strategies and form part of the agenda for economic growth, development and the reduction of poverty.

Furthermore, it has been expressed that the HCP will effectively respond to the development requirements and challenges stemming from trade liberalisation in general, and from the implementation of the FTAA in particular, and must allow the smaller economies to participate in the FTAA in a beneficial and fair manner.

As already agreed during the Ministerial Meeting in Buenos Aires, the objectives of the Hemispheric Co-operation Programme include strengthening countries' capacity to implement and participate fully in the FTAA; helping countries effectively address and overcome challenges and taking maximum advantage of the benefits associated with the liberalisation of the FTAA; promoting greater interrelation between development objectives and requirements; increasing the institutional strengthening and development

of capacities to formulate policies, develop negotiating strategies and implement the FTAA; improving coordination among donors and between donors and recipients, so as to maximise co-operation and technical assistance; complementing present and future multilateral, sub-regional and national programmes in order to strengthen production capabilities and promote the competitiveness of economies; supporting the development of innovative capabilities and technology transfer, in addition to enhancing mechanisms to respond to economic “shocks”.

It is interesting to note that the structure of the operating framework of the Hemispheric Co-operation Programme includes the establishment of mechanisms for receiving, disseminating and considering possible financing for the specific project profiles presented by Negotiating Groups, countries and groups of countries, in addition to the creation of mechanisms that would enable countries to define, prioritise and articulate their needs associated with enhancing their ability to prepare negotiations, honour trade commitments and adapt to integration. Other mechanisms were also highlighted such as the interaction between countries and collaborating organisations, in order to better provide technical co-operation. Financial aid and other forms of assistance were also mentioned.

In order to execute the HCP, countries decided that one means of implementing the Programme was by preparing national or regional strategies that define and establish priorities and outline their needs associated with strengthening their capabilities to participate in negotiations, apply the agreement and adapt to the new integration framework.

During the 19<sup>th</sup> Meeting of the Consultative Group, approval was given for the common format that must be followed for the national strategies, consisting essentially of two chapters. The first provides a general overview of the institutional structure and formulation process of the trade policies and negotiations of the countries interested in developing them; an evaluation of current and possible trade commitments and co-operation programmes, the institutional capacity of countries in terms of their participation in trade, among others. Chapter 2 outlines the needs of the three stages identified (negotiation, implementation and adaptation to integration) in each of the negotiating groups or in other areas deemed a priority by countries.

Indeed, the strategies seek to present the clearest overview possible of countries’ needs in terms of co-operation during the stages described earlier and their ability to receive said co-operation and channel it adequately according to their priorities. This is by no means a simple task since those countries interested in developing such strategies must achieve an adequate level of national coordination, so that the document prepared by the country could reflect its true needs, in addition to which it would have the political assurance required for its objectives to coincide with the country’s national development policy and also its policy concerning the integration process.

To assist countries in developing these strategies, the Tripartite Committee (IDB, ECLAC and OAS) classified the assistance to be provided into regions or sub-regions. As at the last meeting, the Dominican Republic had completed its national strategy, while the Central American countries were in the process of finalising theirs. Strategies are now being formulated by both the Andean Community and CARICOM. These are expected to be completed by the end of August or in September, so as to enable

countries to participate in the first round of cooperating entities carded for October, in the framework of the CGSE, during which a presentation will be delivered on the work undertaken by the Group and these entities will be urged to provide technical assistance. Following that event, periodic rounds of meetings will be held, whose date, format and venues will be subsequently determined by the Consultative Group.

As for the efforts undertaken by the Group regarding the Hemispheric Co-operation Programme thus far, my personal belief is that this has been a powerful effort for the FTAA. If the HCP is aptly executed, with the necessary political and financial backing from donor organisations and entities, once it has adequate financing, it can serve to improve to some extent, countries' ability to benefit from the potentialities of the FTAA and justify this undertaking in which member countries have expressed particular interest.

In this case, in the final analysis, the HCP is the political support required to legitimise the process, in so far as it seeks to address the differences in the levels of development and size of the economies within the hemisphere, by means of fostering co-operation and technical assistance.

However, it must not be forgotten that financing for the Programme would be initially provided in terms of the strategies agreed. Some countries maintain that this is not enough and that it is necessary for support mechanisms to be approved for countries to adapt to the integration. It seems that such proposals will be presented for the consideration of the Group before long, and ultimately, the Vice-Ministers or Ministers will take a decision on this matter.

## **Conclusions**

Kindly permit me to share a few of my own general conclusions on this issue and its projections.

1. First of all, the Consultative Group on Smaller Economies has undoubtedly developed an essential task, in that it has defined the scope of application of special and differential treatment through the adoption of the guidelines agreed upon during the CNC in Managua in 2001. However, the CGSE does not have an adequate mandate thus making it technically impossible to negotiate this type of treatment in each negotiating group. The work of these groups is limited to shadowing the efforts of other groups and it is obvious that in this respect, many of the SDT proposals remain pending. If there is no progress in this matter, the FTAA will have evident shortcomings that will make it difficult to be in a position to justify this agreement within the participating countries, especially the more vulnerable countries.
2. It seems that a simultaneous or parallel programme to the HCP is needed. I am referring here to an additional financial support mechanism for countries to adapt to the new integration scheme. Asymmetries in countries' development call for this situation to be sufficiently addressed in order for all countries to achieve adequate economic and social development, particularly the small economies, as they have been called within the FTAA. Therefore, the success of the FTAA is closely linked to the economic growth of all countries, improved

macroeconomic indices and essentially to the reduction of poverty, and not only to the indiscriminate opening up of markets.

3. The Consultative Group on Smaller Economies still has a great deal of ground to cover and must undertake efforts toward adopting new approaches that would enable the elimination of present asymmetries and the consolidation of special and differential treatment according to the needs of the participating countries. The achievements made thus far are significant for the time being. Not sufficient. The most pressing tasks include the Consultative Group on Smaller Economies adequately implementing the HCP, through rounds of meetings, developing alternative mechanisms and undertaking efforts for SDT to be clearly reflected in all negotiating groups. However, this task can be more ambitious and will depend on the political commitment and strategic vision of the participating countries, in terms of the potentialities of the FTAA and the threats it could pose if sufficient consideration is not given to the situation of those countries that fearfully look at the possible scope and repercussions of a hemispheric integration mechanism that ignores their development needs, and which could involve evident risks for some sectors of their economies that are still unable to participate adequately in this process.
4. Yet another issue that warrants mention is that concerning the definition of smaller economies. Who are they? What are the parameters that will guide their definition? Who should determine these? These are just a few of the concerns that have surfaced, not only within the Consultative Group, but they have also been the topic of discussion in other FTAA negotiations. In the Consultative Group, one country put forward several reflections regarding this matter and it has been proposed that objective parameters be sought in order for them to be categorised. I am of the view that this would be one of the last issues to be defined and will be a matter for political consideration at the highest level. Nevertheless, it is interesting to note that in the language of the FTAA, to some extent, efforts have been made toward overcoming this difficulty, with different treatment outlined according to the level of development and size of economies, which while still ambiguous, allows a self-classification of countries in a specific category, no questions asked, and the HCP has opted for that strategy so that all countries that believe they require adequate assistance to make the Programme possible, will receive this without having to prove their level of development.