



HIGHLIGHTS OF USAID WORKSHOP:
PROMOTING ECONOMIC GROWTH IN A NEW ERA
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Trade Capacity Interventions -- Best Practices

This session presented three case studies illustrating the wide range of activities that USAID is undertaking to assist countries to participate in and take advantage of international trade. A common thread throughout these case studies is USAID support for the institutions and processes used to build a national consensus on often-contentious trade-related initiatives.

Tim Born, Team Leader for USAID/Mozambique's Trade & Investment Strategic Objective, reported on USAID's trade mainstreaming efforts in Mozambique. Historically, Mozambicans have been extremely skeptical of liberalized trade. USAID has played a large role in trying to overcome this skepticism and explain the benefits of trade liberalization. Mozambique is the first country for which USAID has been responsible for undertaking the Integrated Framework (IF) Diagnostic Trade Integration Study (DTIS). The DTIS will be presented in September to launch the mainstreaming of trade into their Poverty Reduction Strategy Paper (PRSP). Mainstreaming and the IF have led to a better understanding of the links between trade, growth, and poverty.

Bob Wuertz, Chief of the Office of Economic Development and Governance at USAID/Philippines, reported on a customs reform project aimed at helping the Philippine government implement the Customs Valuation Agreement of the WTO, an initiative also expected to streamline procedures for clearing goods entering the country and reduce corruption in the Customs bureaucracy. Encountering resistance to this initiative on many fronts within the Philippines, USAID assisted the government to create a Super Green Lane (SGL) to expedite customs clearance and yet assure appropriate revenue collection; the SGL was implemented in tandem with a post-shipment audit procedure to take the place of pre-shipment inspections. The SGL was developed to address the concerns of importers who were often forced to negotiate tariffs with customs officials. By pre-qualifying, importers can enter the SGL and pass through customs more easily. The program allows any importer with a one-year track record of regular imports to apply for accreditation, provided he is willing to undergo post-entry audits. The importer provides Customs with advance information on his import operations to achieve an acceptable confidence level regarding his compliance with trade regulations. The SGL entry fee is on a graduated schedule based on the value of the import shipment and ranges from PhP500 to PhP2,500 (US\$10 to US\$50). This system has helped to combat corruption in the Bureau of Customs by giving Customs Officials less discretion. Positive results have been recorded. Clearance time for imported cargoes has dropped by 1 to 5 days, while revenue collections from import duties have risen by 2.6 percent. One study has calculated that adoption of the SGL resulted in a gain of \$0.4 billion in real GDP per year. These results demonstrate that a WTO-compliant system can indeed be a positive development for the country that implements it effectively, tailoring accompanying processes to the circumstances of the particular country.

Donnie Harrington, Director of the General Development Office at USAID/Dominican Republic, reported on their program to prepare the DR's apparel-producing firms and workers for

heightened global competition from other developing country producers following the elimination of quotas in January 2005 that have, for decades, restrained such competition. When the project began, the Central American countries were negotiating a free trade agreement (FTA) with the United States and the DR was not a part of these negotiations. USAID intervened by rapidly providing a needs assessment and stimulating a public dialogue. Using economic modeling and data analysis, USAID estimated the outcomes of various policy options (including the status quo). The resulting data showed that the Dominican Republic would be hurt the least if it participated in US-CAFTA and negotiated for provisions that lower their input costs. ADOZONA (the Association of Free Zones), a non-profit private organization with 520 member companies, managed the national dialogue in order to build a consensus for engaging in trade negotiations, formulate a national trade policy strategy, and build awareness of the importance of trade.

The three presentations covered the three elements of trade capacity building on which USAID focuses: helping developing countries (government as well as civil society) to participate more fully in global trade negotiations and processes; implement the commitments in trade agreements; and respond to the competitive challenges of an increasingly globalized world economy. Although the specifics of the interventions were quite different in each case study, all had a significant element of trade policy coordination and consensus building. A key lesson learned from each case study is that TCB interventions need to anticipate the opposition that trade reform will likely engender—often from politically powerful constituencies that have long been sheltered from competition. TCB can be most effective when efforts are taken to ensure that those who will benefit from liberalization have a voice in trade policy deliberations.