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Context of Regional Cooperation”
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**REPORT OF THE RIO GROUP TECHNICAL MEETING ON
“THE TREATMENT OF ASYMMETRIES IN THE
CONTEXT OF REGIONAL COOPERATION”**

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Table of contents

Agenda item 1: Opening –Setting the stage.....	1
Agenda item 2: Presentation of report on the ECLAC/ACS Study of Special and Differential Treatment (SDT) for the treatment of asymmetries in the ACS region	3
Agenda item 3: Presentation SDT on Mercosur and CASA	5
Agenda item 4: Presentation of report on SDT and treatment of asymmetries in the Rio Group.....	6
Agenda item 5: Promoting economic links among the integration schemes of Latin America and the Caribbean	9
Agenda item 6: Discussion and agreement on recommendations on the treatment of asymmetries in the Rio Group	11
List of participants	15

**REPORT OF THE RIO GROUP TECHNICAL MEETING ON
“THE TREATMENT OF ASYMMETRIES IN THE
CONTEXT OF REGIONAL COOPERATION”**

**Agenda item 1
Opening –Setting the stage**

The Rio Group Technical Meeting on “The Treatment of Asymmetries in the Context of Regional Cooperation” was held at the Economic Commission for Latin America and the Caribbean (ECLAC) Subregional Headquarters for the Caribbean on 11-12 January 2007. The Director of the ECLAC Subregional Office, Mr. Neil Pierre, opened the meeting and welcomed participants. He noted the collaboration of ECLAC with the Government of Guyana in preparing for and hosting the meeting and expressed pleasure in working with the Government of Guyana to advance this critical process. He underscored the importance of the meeting and noted the competence of the participants to engage in informed discussions and make meaningful recommendations which would be taken to the Rio Summit. Finally, the Director introduced and turned the floor over to the Chairman, Mr. Neville Totaram of the Ministry of Foreign Trade and International Cooperation of Guyana.

Mr. Totaram greeted participants and set the context for the meeting by referring to policy statements of the Minister of Foreign Affairs of Guyana. Important among these were that Guyana saw itself as a bridge to unite Latin America and the Caribbean and aimed to strengthen those links in the hope of promoting a more dynamic Rio Group. He stressed the importance of minimizing divergence and maximising convergence in socio-economic performance and development among members of the Rio Group. The Chairman noted that the Caribbean Community (CARICOM) had instituted measures in the Revised Treaty to address the peculiar problems of smaller, more disadvantaged economies and restated the commitment of the Government of Guyana to the regional integration process. He then challenged the meeting to come up with some practical, action-oriented recommendations to take to the Rio Group meeting to treat with asymmetries in this regional cooperation arrangement.

**Agenda item 2
Presentation of report on the ECLAC/ACS Study
of Special and Differential Treatment (SDT) for the
treatment of asymmetries in the ACS region**

Mr. Esteban Perez, Economic Affairs Officer, ECLAC, presented the report of the study on Special and Differential Treatment (SDT). He noted that the study was part of a wider project dealing with asymmetries in regional integration arrangements and outlined its purposes:

- (a) To analyse SDT over time;
- (b) To provide a rationale for SDT;
- (c) To examine SDT in different regional arrangements;

- (d) To ascertain impacts of SDT provisions; and
- (e) To provide some policy recommendations for dealing with SDT

Mr. Perez then shared some thoughts on the theoretical rationale for SDT that was relevant to the treatment of asymmetries. He noted, according to Karl Polyani, that economic policies were the result of a double movement or sort of contradiction. One movement was in favour of free markets and another was against free markets. The constraining of free markets was often justified on the need to rescue society from the ravages of unfettered economic competition. Market failure, and thus the need for intervention, was based largely on monopoly, externalities, asymmetries, heterogeneity, inequality and distributional effects. SDT, however, was often criticised as a failure based on, among other things:

- (a) Inconsistency of provisions - a mixed bag based on free market combined with SDT provisions. For instance, static instruments such as duty protection, have been used to achieve a dynamic result such as economic growth;
- (b) Weak context for SDT, that is lack of development of facilitating institutions and policies;
- (c) Perception of SDT as a public good that leads to over-demand for SDT;
- (d) Failure to distinguish results from processes, that is, provision from outcomes. There is a black box which entails how the provisions are applied and this impinges on outcomes.

Some pundits actually viewed SDT as a prerequisite for the operation of the market system and thus not actually outside the market.

SDT within CARICOM was meant to achieve a number of objectives, including the following:

- (a) Facilitate accession of the Organisation of Eastern Caribbean States (OECS) to the trade regime;
- (b) Suspension of common market origin;
- (c) Provide increased flow of resources to the Less Developed Countries (LDCs);
- (d) Recognise the difference in initial conditions among countries; and
- (e) Minimise polarisation among member countries.

SDT in CARICOM was initially conceptualised to provide both on static protection to facilitate production and dynamic aspects such as development finance and control of capital movements. The most important articles of the CARICOM Treaty dealing with SDT were

articles 56 and 59. Articles 56 allowed LDCs to suspend common market origin treatment to facilitate production in the LDCs. Article 59 went beyond standard trade measures, such as facilitating joint ventures, to finance, that is facilitating the flow of loan capital to the LDCs. Also, 59 has complemented article 37, which sought to regulate flows of capital with an emphasis on the needs of the LDCs.

Broadly speaking, therefore, SDT in CARICOM was conceived as a three-legged strategy based on facilitation and regulation of trade, regulation of capital movements and facilitation of finance flows to LDCs. In practice, however, SDT was only partially applied with a focus on trade protection without finance, that is, statics without dynamics.

Article 56 largely protected the OECS food and beverage sector. Nevertheless, the OECS lost market share to CARICOM and the rest of the world over time.

An assessment of SDT in the CARICOM Treaty underscored the fact that it facilitated the development of some manufacturing firms in LDCs in activities such as breweries, milling and food processing. However, some of the critical goals of SDT, including the protection of LDC market shares, the reduction in polarisation and the facilitation of improved capital flows to LDCs were only partially fulfilled. The study argued that the implementation of SDT coincided with a period of some convergence and catch-up between the LDCs and More Developed Countries (MDCs) in the 1990s. For instance, sigma convergence indicators pointed to reduced dispersion in per capita between the two groups in CARICOM between 1980 and 1993. Further, the period of increased divergence coincided with the period when LDCs lost trade market share on the intraregional and extraregional markets.

However, there was increased divergence between the OECS and CARICOM in the latter part of the 1990s and 2000. It is important to note that the divergence with CARICOM and the world may be due to other economic imbalances, including fiscal imbalance, balance of payments constraint and negative net resource transfers from abroad.

The financial constraint remained an important impediment to firm development in the region. For example, a survey of 90 small and medium enterprises (SMEs), 45 per cent identified the cost of debt finance as too high; moreover, finance was often of a short-term duration that limited firms' long-term projects. Another problem was the high level financial fragmentation with firms facing a wide range of interest rates. Moreover, capital flows to the private sector remained weak, while the financial sector garnered a disproportionate share of resources. There were also indications that speculative activities had been increasing at the expense of productive activities.

With reference to SDT in the Revised Treaty of Chaguaramas, it was noted that article 56 of the CARICOM Treaty was replaced by article 164 of the Revised Treaty. Article 164 allowed for the suspension of community origin treatment as authorised by the Council on Trade and Economic Development (COTED). The major LDC products favoured under the Revised Treaty were aerated beverages, food products and furniture. The case for protection of aerated beverages was made on the basis that the sector was becoming uncompetitive without licenses due to high costs of production and also the need for breathing room to expand capacity. The

report proposed that article 164, protection for aerated beverages, should last for the period of maturity of investment in the sub-sector.

Generally, the cost structures for labour, electricity, ocean freight and other inputs put LDCs at a competitive disadvantage relative to MDCs. Based on costs and other disadvantages, a proposal had been put forward to increase the tariff rate in the OECS relative to CARICOM and third countries to increase their effective rate of protection for a period of 10 years.

An important plank of the Revised Treaty of Chaguaramas was the establishment of a regional development fund (RDF) (Art. 158) to provide financial and technical assistance to disadvantaged countries, regions and sectors. Disadvantaged in this context means the inability to fully participate in and reap benefits from the CARICOM Single Market and Economy (CSME). The RDF was justified on structural considerations relating to size and diseconomies of scale, policy factors pertaining to economic dislocation of certain sectors, the effects of natural disasters on LDCs and relatively low levels of all round development, in spite of fairly high levels of per capita incomes in some beneficiary countries. Institutions, infrastructure and policy degrees of freedom were also important, along with real per capita incomes.

To ensure the effectiveness of the RDF, a few issues needed to be tackled. First, the potential for moral hazard and free rider, where firms which were reluctant to restructure to become competitive benefited from the fund, should be avoided. Second, policy makers must decide whether the fund would be a structural fund to deal with development issues or a compensatory fund to deal with temporary shocks and also any conditionalities to qualify for accessing the fund.

The presentation pointed to the importance of rules of origin to SDT under article 56 of the Revised Treaty. This allowed for the suspension of the common external tariff (CET) for some products that were not found in CARICOM. However, this benefit was more likely to be accessed by the larger countries, the MDCs, since they had more diversified production structures that benefited from scale economies. As a result they were better positioned to reap dynamic gains from trade arising from inputs with lower costs, higher quality and technological content from extraregional markets.

With reference to lessons learnt, the study noted that SDT has provided some benefits to the OECS. However, SDT did not shield them from competition and loss of market share in CARICOM. Nevertheless, the issue going forward was not an all or nothing choice, but how SDT could be configured to bring optimum benefits to the member States.

The report proposed that countries be allowed to protect their 'jewel crowns' or most important activities. The trade aspects of SDT should be complemented by finance to liberate bottlenecks. The structure of the RDF should be clearly articulated, that is, whether it would be a structural fund, a compensatory fund and what conditionalities would apply. Further, protection must be accompanied by other policies, including facilitation of a culture of exporting, improving import productivity and a manufacturing policy. Importantly, a regime for monitoring, regulating and supervising SDT must be developed to ensure its success.

Agenda Item 3

Presentation SDT on MERCOSUR and CASA

Mr. Antonio Romero of the Latin American and Caribbean Economic System (SELA), stated that his presentation was a summary of the document presented to the heads of government of the South American community. In providing a rationale for the report, he noted that countries recognised that a reduction in asymmetries was a requirement for guaranteeing the sustainability and legitimacy of the integration process. Indeed, in South America social asymmetries were particularly relevant in view of high levels of poverty, inequity and social exclusion. Therefore treatment of asymmetries must deal not only with economic asymmetries, but also social ones. Critically, any approach to deal with social asymmetries must tackle issues of productivity and competitiveness.

Another notable point was that although prior approaches to dealing with asymmetries had focused on those among countries, in South America asymmetries were more acute within countries than among countries. That is, internal polarisation was often the main problem. The study noted that based on comparative analysis in Latin America and the Caribbean and the European Union, it was concluded that SDT in strictly commercial terms was not enough to help less developed countries reap the benefits of integration. Also, in order to ensure that countries benefited from integration, relatively similar conditions must be created, which implied the mobilisation of adequate resources.

The study provided a useful breakdown of asymmetries into structural and public policy asymmetries. Structural asymmetries were based on differences in the underlying endowments and development of economies and included size, relative levels of development and quality of institutions. Public policy asymmetries, on the other hand, referred to those that resulted from disparities in different States' provision of public goods, such as investment and export promotion, development of public institutions to promote competitiveness and fiscal incentives.

The SELA representative outlined a number of priority actions for dealing with asymmetries. At a generic level, the challenge was to reduce economic and social differences (gaps) through a convergence programme aimed at sustainable development of member countries. This required an integral approach to remove structural obstacles and the adoption of proactive regional and national policies to reduce asymmetries. The new approach to dealing with asymmetries would be based on three pillars:

- (a) Market access;
- (b) Policies for dealing with structural asymmetries; and
- (c) Policies for dealing with asymmetries derived from public policies.

Market access provisions would include measures dealing with technical standards, sanitary and phytosanitary measures and non-tariff restrictions, all geared towards fostering effective access to markets in the region for less developed countries. Policies dealing with

structural asymmetries would seek to unlock the productive and competitiveness potential of LDCs through support for Micro, Small and Medium Enterprises (MSMEs) and the provision of physical infrastructure by strengthening the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) initiative. Meanwhile, public policy asymmetries would be addressed by cooperation in macroeconomic policies and incentives policies to promote investments and exports.

The report proposed a number of instruments to overcome existing asymmetries. Important among these were financial instruments centred on the creation of a Solidarity Fund to finance a policy of structural convergence. Also, horizontal cooperation involving technical assistance to LDCs would be an important plank of policy. In addition, efforts would be made to increase the efficiency of international cooperation to improve the net benefits from projects in LDCs.

In terms of the way forward, some mechanisms and a plan of action were outlined for tackling asymmetries in the region. In the first place, it was proposed that a High-level Group on Asymmetries (GANA), made up of representatives of member countries and regional organizations, be empanelled. The functions of GANA were: (a) to select relevant indicators of major asymmetries in the region; (b) to establish mechanisms for follow-up of selected indicators so as to evaluate the impact of community policies and map trends in disparities; (c) To implement a pilot project for each one of the lines of action adopted for the treatment of asymmetries.

Agenda item 4
Presentation of report on SDT
and treatment of asymmetries in the Rio Group

Dr. Norman Girvan of the Institute of International Relations (IIR) underscored the need to treat with asymmetries among countries in integration arrangements because of wide disparities in size, human resource levels, technological development and power relations. These inherent differences meant that countries differed widely in their ability to benefit from integration agreements. Small economies in particular suffered from inherent disadvantages in participating in the global economy. Size was often measured by population size and land area, natural resource endowment and human capital base. A multidimensional approach was necessary, as disabilities in a given area could be compensated for by advantages in another.

It was noted that Guitierrez had developed a composite index that included four dimensions of size. This so-called PSPH Index captured: (a) population, used as a measure of the size of the labour force; (b) land area, an indicator of the natural resource endowment; (c) aggregate GDP, to gauge the absolute size of the physical capital stock; and (d) the Human Development Index, as a measure of the endowment of human capital per capita. The PSHP had the advantage of taking account of differences among countries other than population size, differences which might partly compensate for small population size. Computation of the PSHP for the Rio Group indicated that recognition of the Group to treat with asymmetries had a firm foundation in reality.

Based on the PSHP, Romero (2003:200) had suggested a three-tier classification of Latin American and Caribbean countries that were taking part in the Free Trade of the Americas (FTAA) negotiations:

- (a) Group 1. Relatively large economies: 3 - Brazil, Mexico and Argentina.
- (b) Group 2. Mid-sized economies: 4 - Colombia, Peru, Venezuela and Chile.
- (c) Group 3. Small economies: 25 - including Bolivia, Paraguay and CARICOM member States.

Importantly, Romero stressed the need to complement the PSHP classification with a qualitative assessment and a politically negotiated definition in order to reach consensus on this crucial area.

In analysing the indicators of vulnerability, Girvan noted that considerable work has been done on the measurement of vulnerabilities that related them to size. The United Nations vulnerability index only captured economic vulnerability. However, social vulnerability and environmental vulnerability, especially to the threat of natural disasters were also important. On the other hand, the World Bank Composite Vulnerability Index (WBVI) and the Briguglio Vulnerability Index (BVI) captured both economic and environmental vulnerability. CARICOM countries ranked high in vulnerability according to these two indices.

The effect of size was also examined by the extent to which different sized economies were inserted into the global economy. It was found that with the exception of Mexico and El Salvador, the bulk of the exports of the Rio Group were in primary commodities, labour intensive and resource-based manufactures and manufactures with low skill and technology intensity. This clearly showed that the Rio Group and especially the smallest economies of CARICOM were inserted at the lowest end of the global division of labour. Although the analysis did not include services, which was vitally important for most Caribbean economies, it was still applicable since tourism, the mainstay of regional services export could be considered as a resource-based service. Given the importance of the sector, Caribbean countries should actually promote trade in services with the Latin America.

With regards to the treatment of asymmetries in the hemisphere, the report noted that this was done mainly under the umbrella of SDT. SDT provisions dealt with asymmetries in size, levels of development, vulnerability and other economic constraints. Within the Southern Cone Common Market (MERCOSUR), although the Treaty of Asunción did not formally include SDT, a number of practices amounted to SDT for the two smaller members, Uruguay and Paraguay. These included additional time to complete trade liberalisation obligations, a larger list of exemptions and more flexible rules of origin. Also, recently agreement had been reached on a regional fund to compensate the smaller members for unequal gains from market integration.

In CARICOM, SDT was well incorporated in the Revised Treaty of Chaguaramas. This was provided for through different levels of trade obligations and compensatory finance for

disadvantaged countries and sectors. A critical vehicle was the RDF aimed at providing financial and technical assistance to governments and private enterprises to enhance the quality of their insertion into the integration arrangement. Other integration schemes, including the Latin American Integration Association (ALADI), also differentiated members according to size, levels of development and hence capacity to benefit from the arrangement. In the Andean Community the two least developed members (Ecuador and Bolivia) received preferential treatment.

The IIRSA could be viewed as a vehicle for dealing with asymmetries since it would provide funding for infrastructure development for the smaller, less developed countries of South America thereby facilitating trade and investment flows. The IIRSA infrastructure development hubs held the potential for using Guyana and Suriname as a gateway for trade and integration with the rest of the Caribbean.

Some regional bilateral agreements also incorporated the treatment of asymmetries, even if not explicitly stated. The Petrocaribe oil deal between Venezuela and CARICOM, for instance, was premised on differential endowments and purchasing capacity.

Treatment of asymmetries was a major consideration in the South American Community of Nations (CASA). At the Brasilia Summit of 2004, Presidential Declaration mandated the convening of a forum on “A new Treatment of Asymmetries in South American Integration” to contribute suggestions for the reduction of asymmetries and to strengthen benefits for all members. CASA recognised that trade-related SDT was insufficient to bring about income convergence and hence additional measures were required in the form of funding, competitiveness development and export promotion.

Romero (2006) proposed a CASA programme on asymmetries built on two pillars:

(a) Market access measures: These included convergence of SDT provisions of existing regional arrangements; non-tariff trade facilitation measures to assist enterprises to take advantage of market access, including improving the efficiency of custom regulations and strengthening transport facilities; improvement of the physical infrastructure for integration using IIRSA projects as a model; cooperation in macroeconomic policies to foster economic stability as a platform for competitiveness and growth.

(b) Financing support measures: Regionalisation of financial institutions especially the Andean Development Fund (CAF), the Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) and national development funds; establishment of a Fund for Structural Convergence; joint action in international cooperation programmes to mobilise a larger pool of resources and enhance the efficiency of resource use; a high-level group consisting of representatives of countries and regional secretariats mandated to prepare concrete pilot projects in the above areas.

The report indicated that the Rio Group could support small country concerns in areas of trade, environmental and labour standards in international forums.

The articles of the World Trade Organization (WTO) Agreement recognised smallness as a basis for asymmetric treatment, although the concessions were not as preferential as under the General Agreement on Tariffs and Trade (GATT). One proposal was for the WTO to simplify some agreements which were highly technical and knowledge-specific to facilitate negotiations of small economies with limited human capacity.

Environmental issues were an important plank in considering asymmetries in the Caribbean and other small economies. Small Island Developing States (SIDS) suffered from a disproportionate share of the impacts of global warming in terms of hurricanes, floods and other climatic events. The Rio Group should therefore provide strong diplomatic support for accelerated implementation of the SIDS Programme of Action (POA).

Lessons for treatment of asymmetries in the Rio Group

- (a) SDT measures should be harmonised across integration schemes in Latin America and the Caribbean as a means of stimulating greater foreign investment.
- (b) More than SDT is required to enable small economies to optimise benefits from integration arrangements. Firm level and supply side constraints must be unstopped also.
- (c) A paradigm shift is required in treatment of asymmetries in regional agreements. This would place greater emphasis on supply side measures and institutional systems to promote beneficial integration for disadvantaged countries.
- (d) The potential of services, especially tourism must be fully exploited in the Rio Group.
- (e) The lessons of IIRSA and scope for production complementarities must be fully explored.
- (f) Treatment of asymmetries must not be limited to environmental issues, but must also tackle environmental vulnerability and hence address disaster management, mitigation and response to climate change.

Agenda item 5 Promoting economic links among the integration schemes of Latin America and the Caribbean

The presentation was delivered by Mr. Claremont Kirton, Consultant, and covered six broad areas: trade and related issues; tourism; services; infrastructure; production complementarities; and financial mechanisms. With respect to trade and trade related issues, the focus was on trends in exports from CARICOM and the Latin American integration schemes. As at May 2006, 51 intraregional preference agreements and 17 extraregional agreements involving Latin America and the Caribbean were in place. Between 1990 and 2004, exports

within Latin America and the Caribbean averaged 17 per cent of total exports annually. The reasons for the low levels of intraregional trade include:

- (a) Lack of political will to promote trade;
- (b) Limited progress at the national levels in important policy areas; and
- (c) Increases in bilateral agreements.

Since 2000, CARICOM intraregional trade increased and now averages over 20 per cent of total exports. CARICOM trade with Latin America represented 6.2 per cent of total trade, while its trade balance with Mercosur was negative between 1995-2001. Trade with the Central American Common Market (CACM) was positive between 1997 and 2001, with Trinidad and Tobago, Jamaica and Belize dominating the three top exporters.

Mr. Kirton noted that a survey of firms and policy makers involved in trade with Latin America would have been useful to provide more detailed information.

There were a number of export product constraints that limited trade between the regions. Critical among these were: information constraints and lack of market intelligence; language barriers and the levels and effects of freight costs. Trade was also constrained by supply side bottlenecks, including quality competitiveness, similarity of products, technological constraints and limited entrepreneurial innovativeness. Moreover, there was no specialist focusing on how to optimise trade between CARICOM and Latin America. There was need for a detailed survey of firms in both regions and the Caribbean Association of Industry and Commerce (CAIC) and the Caribbean Business Council need to be actively involved in trade facilitation. Also, CARICOM firms need to be actively involved in the Association of Caribbean States (ACS) Business forum.

Tourism

An assessment was made of the potential for tourism trade between CARICOM and Latin America. The report highlighted the importance of the Caribbean tourism sector to growth and development. In 2005, for instance, the sector contributed 4.5 per cent to GDP in CARICOM. However, CARICOM lost market share to the Hispanic Caribbean, especially to Cuba, Dominican Republic, Aruba and Curacao. South American tourism to the Caribbean has been declining in recent years. However, tourism arrivals from the whole of Latin America increased by 17 per cent between 1999 and 2004. The main factors affecting outbound travel from Latin America include economic performance in the region; aviation capacity and air links; and the cost of travel.

**Agenda item 6:
Discussion and agreement on recommendations
on the treatment of asymmetries in the Rio Group**

Conclusions and recommendations

1. Multi-destination tourism should be developed in CARICOM and Latin America.
2. Intersectoral linkages including joint marketing, packages and training should be promoted.
3. Joint CARICOM missions should be fielded to reduce costs.
4. Increased attention should be paid to product and service development e.g. adventure, nature, community and cultural tourism (music festivals, Carnivals etc)

Other services

Other services, such as language services and financial services, hold good prospects and should be promoted. Cross-border banking and financial services in Latin America should be explored. Health and medical tourism is also an area of potential. Transport services, both air and maritime, need to be developed. CARICOM should evaluate the success of the ACS Air Transport Agreement.

Infrastructure

There are major benefits to be gained from investments in infrastructure in Latin America and the Caribbean. Linkages between Guyana, Suriname, Brazil and Venezuela hold greatest immediate potential. The IIRSA is a critical initiative, which focuses on transport, energy and telecommunications in 12 South American countries and has 31 priority projects, of which the Guyana shield project is of direct interest to CARICOM. It provides an avenue for collaboration between infrastructure-based institutions.

The report recommended that funds be mobilised for road construction; and collaboration between different providers of information and communications technology be strengthened.

Product complementarities - FDI

The report highlighted the importance of Foreign Direct Investment (FDI) as a source of development financing. Regional FDI was mainly in the form of equity capital and reinvested earnings. One constraint was that FDI was concentrated in a small number of resource-based sectors that lacked dynamic competitive advantage.

The report recommended that CARICOM should promote the region as a single investment location to Latin American investors. Also, investment promotion agencies should

be adequately funded and staffed and the investment code should be translated into Spanish and Portuguese.

Financing mechanisms - CAF

Important among the CAF objectives is enhancing regional integration and sustainable economic development. The services included technical studies and financial assistance. The bulk of its funds ((91 per cent) were raised on the international capital market. Although Jamaica and Trinidad and Tobago were shareholders of the CAF, only Trinidad and Tobago had accessed the funds. Moreover, there were no formal links between the CAF and Caribbean regional organizations. However, the Caribbean Development Bank (CDB) and the CAF recently held discussions on a possible mode of cooperation.

The report recommended that CARICOM initiate discussions with the CAF and other development finance institutions in Latin America. Also that CARICOM seek membership of the Development Bank of the South.

Discussion and recommendations emanating from presentations

ECLAC/ACS Study of Special and Differential Treatment (SDT) for the treatment of asymmetries in the ACS region

1. There was need for a clear classification of countries according to size and other measures of asymmetries.
2. Measures to address macro asymmetries must be complemented with integrated programmes at the sectoral level to tackle micro level constraints, such as productivity, finance and marketing that impinged on firm level competitiveness.
3. There was a need to delineate the role of the development fund from a compensatory fund. The issue is to what extent the former would address structural constraints and imbalances and the latter simply temporary fall-out from trade agreements.
4. Special and differential treatment should particularly address the bottlenecks of small firms that were often the dynamic core of many economies.
5. CARICOM needed to clarify its rules of origin.
6. The region needed to undertake a cost-benefit analysis of Article 56 of the CARICOM Treaty to evaluate its net benefit.
7. The region should put the issue of managed trade on the agenda of the WTO to improve benefits for developing countries.

8. In dealing with asymmetries, SDT should be well complemented by other policies including supply side policies such as entrepreneurship development, finance and marketing to strengthen development gains.
9. Policies should be explored to channel excess liquidity in the banking system to private productive activity in services and other activities.
10. A system should be developed to regulate, monitor and evaluate the success of SDT to guarantee optimum benefit to the region.

SDT in Mercosur and CASA

1. The concept of asymmetries should be widened to include social asymmetries and asymmetries within countries and among countries.
2. Public policies must be used to complement macroeconomic policies in the quest to promote competitiveness and development and thereby to reduce asymmetries among countries.
3. A high-level panel should be convened to tackle all aspects of asymmetries.
4. SDT initiatives must match the time horizon of the problem that they are meant to address, that is, temporary SDT measures for temporary problems and permanent measures for permanent problems.

Report on SDT and treatment of asymmetries in the Rio Group

1. The Rio Group should be used as a vehicle to represent small country concerns, for example, in the areas of trade, the environment and labour standards in international forums.
2. Given the disproportionate impact of climatic events on SIDS, the Rio Group could provide strong support for the SIDS POA, and regional and international financial and technical cooperation mechanisms for disaster mitigation and management.
3. To make SDT work, bottlenecks at the level of the firm should be reduced by innovative finance, certification and standardization.
4. The policy space should be widened to include issues such as selected industrial policies, and cooperation in development of alternative energy could be a mandate of Rio Group.

5. The potential benefit of asymmetries should be explored.
6. The Rio Group should articulate an overarching vision and strategy for moving forward.

Promoting economic links among the integration schemes of Latin America and the Caribbean

1. The CAIC, Caribbean Business Council and CARICOM should play a more active facilitatory role in promoting trade and cooperation between Latin America and the Caribbean.
2. A Rio Group Business forum should be established to develop strategies for promoting trade and integration between the regions.
3. Increased priority should be given to cultural, nature and sports tourism prospects between Latin America and the Caribbean.
4. Establish a joint CARICOM mission to South America to promote the Caribbean as a single tourist destination.
5. Replicate the strong points of IIRSA in the Caribbean.
6. A framework for eliminating the barriers that impede the portability of health services is required, for example, portable insurance coverage.
7. Work should continue on the development of an integrated Caribbean Investment Code (CIC) to improve transparency of investment climate.
8. An evaluation should be undertaken for the relatively low penetration of Caribbean firms and exporters in the Latin American market and how this can be ameliorated.

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