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REPORT ON THE TREATMENT OF ASYMMETRIES IN THE CONTEXT OF REGIONAL COOPERATION

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REPORT ON THE TREATMENT OF ASYMMETRIES IN THE CONTEXT OF REGIONAL COOPERATION

Introduction

The treatment of asymmetries is one of the most urgent challenges facing regional cooperation in Latin America and Caribbean. There is a widespread sense that income disparities are widening, both within and among countries; and that regional cooperation must include policies that bring about greater convergence in income and economic opportunity among socio-economic groups, regions and countries.[1] Although all integration schemes in the region provide, in one way or another, for the treatment of asymmetries, the current view is that heightened attention must be given to this subject. For example, at the III Summit of the South American Community of Nations in December 2006, the treatment of asymmetries headed the list of priorities for regional integration[2]. Therefore, a strategy for treating with asymmetries should take into consideration objective constraints in member countries and should provide concrete measures for reforming and repositioning economies to overcome their limitations

Asymmetries constrain the ability of social and economic agents to participate in the benefits of growth and market integration. They may be related to size, levels of development, the availability of public goods, access to resources or structures of international trade and finance[3]. As a small country, and as representative of the Caribbean Community (CARICOM), a group of 15 small countries in the hemispheric family, Guyana, has a particular interest in the treatment of asymmetries related to size and other constraints. The importance of this subject to the members of the Rio Group was affirmed at XVII Summit held in Cusco, Peru, in May 2003 and reiterated at the XVIII Summit held in Rio de Janeiro in 2004; both of which made reference to 'special needs of small and vulnerable economies'[4]. Accordingly, treatment of asymmetries was one of the principal agenda items at the Meeting of Foreign Ministers of the Rio Group held in Georgetown, Guyana, in June 2006. It was agreed that the subject was of high political importance and that recommendations for concrete action would be made for consideration at the XIX Summit to be held in Georgetown, Guyana, in 2007.

Pursuant to this, the Government of Guyana, with the assistance of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) Subregional

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[1] For a review of convergence dynamics in the Americas and a comparative analysis of policy instruments to address them in Europe and in the Americas, see Giordano, Paolo, Francesco Lanzafame and Jörg Meyer-Stamer (2005), *Asymmetries in Regional Integration and Local Development,* Inter-American Development Bank.

[2] The leaders of the 12 nations called for integration as an alternative to globalisation that deepens asymmetries contributing to economic, social and political marginalisation, and involving concrete and effective measures (to) resolve the great inequalities that exist among countries and regions in South America (Declaration of Cochabamba, 1-3 and 4-1).

[3] On this, see the excellent report by ECLAC, *Globalisation and Development* (2002).

[4] Cusco Declaration, Para. 21; Rio de Janeiro Declaration, Para. 6. Note also a forum on 'A New Approach to Asymmetries in South American Integration' held in La Paz in October 2005 as a follow-up to the II Summit of the South American Community of Nations (CASA), identified the need for concrete action on the subject and mandated the secretariats of regional organizations to undertake a series of studies and make recommendations.

Headquarters for the Caribbean, convened a Technical Working Group on the Treatment of Asymmetries in Port of Spain, Trinidad and Tobago, on 12-13 January 2007. The meeting was attended by experts from regional and international organizations, who discussed papers presented by the ECLAC Subregional Headquarters for the Caribbean, a representative of the Secretariat of the Latin American Economic System (SELA), and two consultants who presented on behalf of ECLAC[5]. The experts agreed on a set of specific actions and measures which could serve to advance the treatment of asymmetries as they affect the smaller countries in a manner that is mutually beneficial to all States involved. This report draws on the findings, discussion and recommendations of the meeting.

Types of asymmetries

Asymmetries are constituted by differences in power, technological development, capabilities and access to resources that hinder the ability of specific socio-economic groups, business enterprises, regions and countries to benefit from the operation of competitive markets *vis-à-vis* other groups, enterprises, regions and countries. Asymmetries among countries may be classified into structural asymmetries and asymmetries derived from public policies.[6] Structural asymmetries relate to the underlying nature and dynamic of an economy and include differences in size, level of development, access to infrastructure, resource endowment, geographical conditions, and quality of institutions. Asymmetries derived from public policies include differences in the provision of public goods, such as investment and export promotion programmes, preferential financing, subsidized research and development, public institutions to promote competitiveness, fiscal incentives and other implicit and explicit subsidies to productive activity. The concept of asymmetries has been extended to include 'social asymmetries'; which are manifested in chronic unemployment, persistent and widespread poverty, and the marginalization of social and ethnic groups in the population. Social asymmetries are constituted by systemic inequalities in access to resources including land, credit, employment opportunities, health, education and other basic services, economic infrastructure and political power. In Latin America, in particular, social asymmetries are now considered a major cause of polarization in and among countries. Therefore, mechanisms for tackling disparities must include strategies that address social asymmetries, such as education and training and social protection systems that might be relevant even for some of the larger economies that are considered relatively economically resilient.

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[5] "Special and Differential Treatment in CARICOM", by Esteban Perez, Economic Affairs Officer, ECLAC, 2007; "A New approach to the Treatment of Asymmetries in South American Integration", by Antonio F. Romero, SELA, 2007; "Treatment of Asymmetries: A Review of the Issues", by Norman Girvan, Consultant, ECLAC, 2007; and "Promoting Economic Links Between the Integration Schemes of Latin America and the Caribbean: A CARICOM Perspective on Selected Issues", by Claremont Kirton, Consultant, ECLAC, 2007.

[6] For a detailed discussion of structural versus policy-related asymmetries, see Bouzas, Roberto (2005), "Compensating Asymmetries in Regional Integration Agreements: Lessons from Mercosur", in Giordano, Paolo, Francesco Lanzafame and Jörg Meyer-Stamer, *Asymmetries in Regional Integration and Local; Development*, Inter-American Development Bank.

Asymmetries of size

The main asymmetries related to size concern bargaining power, vulnerability to external shocks and capacity for economic diversification and transformation. These are confirmed in findings of an extensive literature on the special problems faced by small countries[7]. Small countries are severely challenged by the wide-ranging and technically complex demands of a multiplicity of international trade negotiations[8], compounded by limited bargaining power arising from their small share of world trade. Small countries also have a higher degree of economic and environmental vulnerability, which is reflected in their higher degree of GDP volatility[9]. Economic vulnerability -the sensitivity to external market shocks- comes about because of their higher degree of trade dependence and their relative lack of export diversification. These are consequences of their limited resource base, small population and the reliance of many small economies on external market preferences that are being dismantled. Environmental vulnerability refers to the fact that the impact of natural disasters is magnified by small size. Small island developing States are particularly vulnerable to the effects of global climate change, because of their fragile ecosystems and heavy reliance on tourism. These vulnerabilities are compounded by the difficulties faced by small countries in diversifying their economies due to their limited resource base and small domestic markets. Other constraining factors are their relative inability to exploit economies of scale, higher costs of international transport, limited supply of quality manpower, absence of critical mass in production, research and development and higher unit costs of public administration.

These findings are supported by data showing that the smaller countries in the Rio Group have the greatest degree of economic and environmental vulnerability; as seen in tables 1-3 in the Annex. Table 1 ranks Rio Group countries by size, using an index that combines the attributes of population, land area, and endowment of physical and human capital. Tables 2 and 3 rank the same countries by their degree of vulnerability; using the United Nations Economic Vulnerability Index and the World Bank Composite Vulnerability Index (the latter includes both economic vulnerability and vulnerability to natural disasters). Both tables include all the members of the CARICOM, for purposes of comparison. Some smaller economies in Latin America are also highly vulnerable and would require asymmetrical treatment in relevant areas to strengthen their resilience similar to their CARICOM counterparts. The wide differences in size among members of the Group are apparent; and these differences correspond closely to degrees of vulnerability, however this is measured.

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[7] See for example World Trade Organization, Committee on Trade and Development, Work Programme on Small Economies. *Issues relating to the Trade of Small Economies*, *Revision* Communication from Barbados, Belize, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, Sri Lanka, Trinidad and Tobago. WT/COMTD/SE/W/1/Rev.1*. 3 May 2002, para. The intergovernmental organizations that have examined the issue include the United Nations, World Bank, UNCTAD, FAO, the Commonwealth Secretariat, the Free Trade Area of the America's Consultative Group on Small Economies, and its Tripartite Commission of OAS, ECLAC and IDB.

[8] Many small countries cannot afford to maintain an office in Geneva; most have very small missions burdened with a multiplicity of meetings

[9] See *Small States: Meeting Challenges in the Global Economy. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States.* April 2000. Also WTO, Committee on Trade and Development; *Trade and Economic Performance: The Role of Economic Size?* WT/COMTD/SE/W/5 23 October 2002.

Differences in size also condition the kind of insertion into the global economy that countries are able to secure. This can be seen by looking at the composition of the exports of different countries by their degree of technological intensity (medium and high technology manufactures have the highest rates of growth in world merchandise trade). Most countries of Latin America and the Caribbean have the bulk of their merchandise exports at the low end of the skill/and technology spectrum (table 4); but the proportion is highest for the smaller economies. Thus, whereas three of the four largest economies have between 68 and 79 per cent in the first three categories, 15 out of 16 small- and mid-sized economies have between 80 and 96 per cent of their merchandise exports in these categories. Inclusion of services, which are very important in the CARICOM region, does not change the picture, as tourism is a resource-based activity of relatively low technology content.

It is recognized that small countries have a responsibility to make the most of their own resources and that their development will rely mostly on their own efforts. The deepening of regional integration presents one option for overcoming the constraints of size, particularly in the context of globalization and liberalization. While some progress continues to be recorded, especially in the case of CARICOM, the pace of implementation is slow. In addition, further analysis is required to determine the cost-benefit of available options for off-setting the effects of size and other constraints. In no event should countries use provisions for treating with asymmetries as an excuse not to undertake the urgent restructuring and transformation of their economies that is necessary for their survival in the global economy.

It is recognized also that several small countries have achieved relatively high incomes by leveraging their geographic location and their natural resources, for example, through the export of international financial services and tourism. Others, however, are not as fortunately placed. Even in the former, vulnerability is an ever-present factor[10]. Moreover, the changing rules of the international trading system associated with globalization—notably the dismantling of preferences and restrictions on the use of fiscal incentives and export subsidies—often pose significant challenges for small countries. The principal kind of cooperation required by small countries is support with their efforts in economic diversification that address their particular circumstances, and the consolidation of integration arrangements. Treatment of asymmetries related to size should be oriented mainly to this end. It is in this light, firstly, that the existing state of 'Special and Differential Treatment' is to be assessed in relation to asymmetries in trade.

Beyond special and differential treatment

The traditional approach to the treatment of asymmetries in trade policy has consisted mainly of measures of Special and Differential Treatment (SDT) in trade agreements among countries of different size and levels of development. SDT measures allow longer time-frames for implementation of import liberalisation and other disciplines, expanded lists of sensitive products eligible for protection, more liberal rules of origin, greater scope for waivers and exemptions, including the use of safeguards and, in general, greater flexibility in the implementation of obligations. They derive their rationale from the need to 'level the playing field'—to correct for the initial disadvantages experienced by some countries and their

[10] As shown, for example, by the OECD's 'harmful tax competition' initiative that impacted several Caribbean international financial centres, and by the increasing incidence of hurricanes impacting Caribbean tourist economies.

enterprises in competing effectively on liberalised markets. Hence, they are theoretically justified by the objective of improving the functioning of markets to optimise the efficiency of the allocation of resources and to correct for imbalances in the gains from trade. SDT measures are present in the majority of trade agreements in which the countries of the Rio Group are involved, whether between developing and developed countries or among developing countries themselves.

However, SDT has generally failed to live up to expectations that it would facilitate investment and export expansion in beneficiary countries and convergence in income levels among trading partners. Thus in South America, after 15 years of strong expansion in intraregional trade, asymmetries among countries have increased. The reasons lie in deficiencies in the content of SDT measures and in the manner of their implementation. SDT measures have been criticised for inconsistency, for the absence of facilitating institutions and policies, for inadequate attention to results as distinct from processes, for being excessively used or demanded, and for lack of transparency in their application. Furthermore, SDT by itself does not address non-tariff barriers to trade; firm-level capacity constraints in capital, management and technology; or economy-wide capacity constraints due to inadequate and high-cost infrastructure. Moreover, the limited success of SDT highlights the fact that providing greater market protection or even access is insufficient to promote exports or viable import-competing activities, but must be complemented by sound strategies for boosting the quantity and quality of production and trade. Finally, SDT has been targeted mainly at goods and neglects services, which have become very important in trade, especially in the Caribbean. Overall, SDT has failed to unstop the underlying bottlenecks and constraints that prevent countries from benefiting from regional trade agreements. Indeed, it is arguable, that SDT might not be the most suitable instrument to address some of these constraints.

In the case of CARICOM, implementation of SDT coincided with a period of some convergence in income levels within the Community from 1980 to the mid-1990s, but since then intraregional disparities have widened[11]. Nevertheless, although SDT may have contributed in part to this convergence, it may not have been the most important contributor. Dynamism in services, including tourism and financial services in the lesser developed countries was much more important. This underscores the need for SDT to be complemented by other approaches and policies that would help to sustain competitiveness and growth in these and other crucial activities.

Due to the disappointing results of SDT, growing attention is being paid to measures that address supply-side constraints[12] at the level of firms, infrastructure and human resources- proxied by the United Nations Development Programme (UNDP) educational achievement index; and asymmetries in public policies. These measures do not replace SDT in trade rules, but aim to complement them by additional measures to 'level the playing field' and to enable firms

[11]This divergence may be due to other factors, including fiscal imbalance, balance of payments constraints and negative net resource transfers from abroad in those countries that exhibited low growth.

[12] The growing attention to supply-side constraints has been recognized at the multilateral level in the context of the WTO Aid for Trade initiative. For Latin American and Caribbean perspective on the Aid for Trade debate see: Inter-American Development Bank (2006), *Aid for Trade – The Inter-American Development Bank's Experience In Latin America and the Caribbean,* Integration and Regional Programs Department.

to make better use of SDT provisions. In the CARICOM case, a Regional Development Fund (RDF) has been established as part of the arrangements for the creation of a CARICOM Single Market and Economy (CSME). The RDF will provide financial and technical assistance to disadvantaged countries, regions and sectors when it becomes fully operational in 2007. A similar fund has been set up in Southern Cone Common Market (MERCOSUR) for the benefit of the smaller members. Some bilateral financial programmes also directly benefit the productive sector.

Hence, the emphasis now is on a ‘new approach’ to the treatment of asymmetries. For example, during preparatory meetings for the III CASA Summit held in December 2006, the view emerged that the treatment of asymmetries must form an integral part of the scheme for South American integration and that a new approach was needed that went beyond SDT in trade agreements. A High-level Group on Asymmetries (GANA) was set up to study the subject, comprising representatives of member countries and regional organizations[13]. The present report recommends that a similar action may be warranted at the level of the Rio Group for the setting up of an expert group to further study the issue of asymmetries[14].

The need to expand CARICOM-Latin American Trade

The constraints faced by small countries in export diversification and in making use of SDT are illustrated by CARICOM’s trade with its Latin American neighbours (figures 1-5). Most of CARICOM’s exports are to North America and consist mainly of resource-based products. CARICOM’s exports to countries in Latin American Integration Arrangements (LAIA) are a very small proportion of its total exports and are concentrated in a small number of countries and products. CARICOM’s exports to MERCOSUR and the Andean Community have shown a falling trend since the mid-1990s, while imports from these groupings have grown steadily. Hence CARICOM has a large and growing deficit in its trade with LAIA countries; and this is in spite of the existence of bilateral trade agreements that contain SDT provisions[15] between CARICOM and two members of the Andean Community. Significantly, CARICOM had a positive trade balance with the Central American Common Market (CACM) countries, which are comparable in terms of size; but this arises mainly because of one country’s exports of energy-based products and manufactured goods.

CARICOM firms report that a major problem in exporting to Latin American markets is lack of information. Sanitary and phyto-sanitary (SPS) regulations, tariffs and other duties, customs procedures, transport and storage facilities, requirements for product registration, and the identity of potential importers are all areas in which information deficiencies operate. On the

[13] The responsibilities of the Group are: i) selection of relevant indicators of major asymmetries in the region; ii) establishment of mechanisms for follow-up of selected indicators so as to evaluate the impact of community policies and map trends in disparities; iii) implementation of a pilot project for each one of the lines of action adopted for the treatment of asymmetries. This is an initiative that is worthy of the support of the Rio Group.

[14] It is worth noting that the advocacy of policy mechanisms to address asymmetries arising in the process of deeper integration is not new, since it emerged early on during the FTAA negotiations; *see Bustillo, Ines and Jose Antonio Ocampo (2005)*, “Free Trade Agreements and Asymmetries: Proposals to Foster Gains from Trade”, in Giordano, Paolo, Francesco Lanzafame and Jörg Meyer-Stamer (2005), *Asymmetries in Regional Integration and Local Development*, Inter-American Development Bank

[15] i.e. Colombia and Venezuela

other side, potential importers of CARICOM goods are impeded by uncertainty about product quality and reliability of supply. Information gaps are complicated by historically-based language barriers and differences in legal, administrative and political systems. In addition, there are serious supply side constraints relating to the quality and competitiveness of CARICOM products, inadequate and costly transport facilities, inadequate technology, lack of entrepreneurial innovativeness, lack of focus on non-traditional markets, and limited market research. Specific measures need to be taken to address information and supply-side constraints. This would include the need to clarify and streamline the rules of origin under the CARICOM common external tariff, particularly with respect to the application of derogation from established rules.

Exports of services, especially tourism, have assumed great importance in the economies of CARICOM countries and here there is also a large potential for expansion. At present, visitors from South America are only 12 per cent of total arrivals in the English-speaking Caribbean—about 58,000 in 2004. There are several reasons for believing that this could be substantially increased. First, Caribbean destinations in the Hispanic islands are already popular with South American visitors, totalling over 300,000 annually. Second, the English-speaking destinations offer cultural, historical and physical attractions that are somewhat different from those of their Spanish-speaking neighbours, within a setting of Caribbean diversity. Third, South American visitor arrivals in CARICOM already show an upward trend, growing by 17 per cent in the period 1999-2004. Fourth, some CARICOM countries are on the South American mainland and are attracting growing numbers of visitors from neighbouring countries[16].

Tourism has more than economic significance; it is also a way of expanding cultural contact and understanding between the two subregions. There is much scope for increasing tourism between the English-speaking Caribbean and Latin America. English-speaking and Hispanic countries already cooperate within the Caribbean Tourism Organization (CTO) and the Association of Caribbean States (ACS), which is establishing the Greater Caribbean Zone of Sustainable Tourism. In order to foster increased contact, several issues would need to be addressed such as: awareness; the availability and cost of air travel; visa requirements; and the quality and variety of the product/service offered. There should be greater collaboration among tourism promotion agencies in large and small countries. Major Latin American based airlines should be encouraged to offer tour packages to the English-speaking countries, perhaps in collaboration with major hotel chains. Greater investment by Latin American-based hotel enterprises in the English-speaking destinations would also be an inducement. There is need for expanded language training in Spanish and Portuguese for tourism workers in the English-speaking Caribbean. Hotels and tourism promotion agencies in the English-speaking Caribbean need to 'look southwards' in their marketing. These areas should be considered for inclusion in technical cooperation arrangements among countries in the two subregions. Arrangements for the twinning of cities between Latin America and the Caribbean could foster exchange of information and shared learning that could stimulate tourism between the two regions. Moreover, measures that treat with asymmetries by eliminating barriers to growth in tourism, financial services and cultural services might be more beneficial to both regions than those focused on trade in goods.

[16] Suriname now attracts a growing number of visitors from Brazil.

Other kinds of services with a potential for expanded trade are health, education, sports tourism, and engineering and consultancy services. One area that merits further investigation is language training. The Anglophone Caribbean contains the largest collection of English-speaking countries in the hemisphere outside of the United States and Canada, in close proximity to all of Latin America, and has a relatively advanced education system. As such, it needs to position itself as an English language training platform in the Latin American market. Similarly, there is great need and potential for expanded Spanish and Portuguese language training in Latin America for English speakers from the Caribbean. This has been amply demonstrated by the success of bilateral programmes operated by several States in the Caribbean region.

Other measures

Since its creation more than 40 years ago, the Inter-American Development Bank (IDB) has been a major source of technical and financial assistance to regional integration and cooperation in Latin America and the Caribbean. At the subregional level, the Andean Development Corporation (CAF), the Caribbean Development Bank (CDB) and the Central American Bank for Economic Integration (CABEL) are the most important institutions providing such assistance. CAF has become a major financial force in Latin American integration; with membership that now includes the five MERCOSUR member States, Mexico and six other countries outside of the Andean region including two CARICOM countries (Jamaica and Trinidad and Tobago). CAF's activities in the other two subregions have not been significant, but there have been discussions with the CDB on the establishment of formal links. There is a need to examine the concrete possibilities of CAF extending its operations by financing projects that support expanded trade and investment among the smaller countries of the region and their larger counterparts. This could occur directly or via participation in special projects with the CDB, CABEL or the IDB.

The World Trade Organization (WTO)

The special circumstances and needs of small, vulnerable economies (SVEs) have received official recognition in the WTO, whose 'small economies' group includes several members of the Rio Group. The Rio Group should give political support to the efforts by SVEs to have their needs addressed in the Doha Development Round and, more specifically, should consider placing the issue of managed trade for discussion on the WTO agenda. This would strengthen the bargaining position of SVEs in the WTO and deepen the collaboration among the SVE countries of the WTO and the wider Rio Group membership. A bid could be made for SVEs to be provided with firm level technical assistance and capacity building to directly strengthen their competitiveness and promote their beneficial integration into the global economy.

Proposals on the table at the time the Doha negotiations broke down would lead to the definition of 22 WTO members as SVEs, including six members of the Rio Group and three other CARICOM States[17].

[17] The proposals are for: up to 0.4 percent of global trade in agriculture (agriculture talks); up to 0.1 percent of global trade in non-agricultural goods (NAMA theatre);up to 0.16 percent in global trade overall.

Infrastructure

The Initiative for Integration of Regional Infrastructure in South America (IIRSA), launched in 2000, supports the development and integration of energy, transport and telecommunications infrastructure across 12 South American countries to facilitate trade integration both intraregionally and with the rest of the world.[18] The Puebla-Panama Plan (PPP), launched in 2001, seeks to improve the trade, growth and economic development potential of southern Mexico and Central America, focusing on areas such as trade facilitation, infrastructure development (roads, energy, telecommunications) and tourism services. The IIRSA and PPP initiatives aim to support export expansion and inward investment particularly in the smaller and less developed countries and regions of LAC. These mechanisms can be considered to be additional forms of treating asymmetries by directly addressing supply-side capacity constraints in these economies. These programmes could be extended to support air and maritime transport linkages between the mainland and the insular States, particularly through the promotion of improved linkages between the road network systems and Caribbean ports; expanded and modernised port facilities and support for air transport cargo facilities.

The environment and the Caribbean Sea

Treatment of asymmetries for small and vulnerable economies should be extended to address the environmental concerns of these countries. Small Island Developing States (SIDS)[19] suffer from major environmental asymmetries, for example, the acute disproportion between their contributions to global climate change on the one hand, and the degree to which they suffer from its consequences on the other hand. The effects of these consequences, which include sea level rise, floods, hurricanes, and coral bleaching on their economies, is disproportionately high. Damage to Caribbean SIDS from recent weather-related disasters has been documented[20]. Twelve members of the Rio Group are States of the Greater Caribbean that border the Caribbean Sea or lie within it, a marine environment that is at considerable ecological risk[21]. All are members of the ACS; and in 2006 the ACS secured the backing of the United Nations General Assembly in having a resolution passed declaring the Caribbean Sea a Special Area in the context of Sustainable Development. In March 2006 the ACS created the Caribbean Sea Commission with a view to promoting and achieving the preservation and sustainable use of the Caribbean Sea, through the formulation of guidelines for coastal and marine management[22].

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[18] IIRSA's technical coordination committee is comprised of the IDB, CAF and the Financial Fund for the Development of the River Plate Basin (FONPLATA). The core PPP structure is comprised of the IDB, CABEI and ECLAC, as well as national governments.

[19] The SIDS grouping includes the Dominican Republic and all of the CARICOM insular States, which are represented in the Rio Group by Guyana.

[20] ECLAC, 2005: *Caribbean Small States, Vulnerability and Development*. Available online at: http://www.eclac.cl/publicaciones/PortOfSpain/0/LCCARL60/L.60.pdf

[21] "The …Sea has been critically assessed and ranked by expert consensus as having the highest priority for conservation of any marine eco-region in the whole of Latin America and the Caribbean " Source: John Agard and Angela Cropper; Caribbean Sea Millennium Assessment Report. Report prepared for the Global Millennium Assessment Port of Spain, 2005 (Draft).; p. 15

[22] ACS Agreement No. 6/06 of the Ministerial Council. The Commission is currently chaired by Barbados, with Panama and Guatemala Vice Chairpersons[22]. Other members of the Commission are Aruba, Costa Rica, Cuba, France (in respect of Guadeloupe, Martinique and French Guiana), Mexico, Trinidad and Tobago, the United Nations Environment Programme, the ACS Secretary General and the United Nations Economic Commission for Latin America and the Caribbean, and Senator Angela Cropper, Environmentalist from Trinidad and Tobago. Information Sourced from ACS website www.acs-aec.org 13 November 2006.

The Rio Group should give its diplomatic support for the accelerated implementation of the SIDS Programme of Action (POA) and the Mauritius Strategy for further Implementation (MSI) as well as strengthening of the Kyoto Protocol. Technical and material support should also be considered for initiatives on disaster management and mitigation and adaptation to global climate change, as well as to the ACS Caribbean Sea Commission.

Conclusions and recommendations

In broad terms, a new approach to the treatment of asymmetries would involve action on at least three fronts. First, there would be initiatives to enhance market access; which would include measures dealing with technical standards, sanitary and phyto-sanitary measures and non-tariff restrictions, geared towards fostering effective access to markets in the region for less developed and smaller countries. Second, policies that address structural asymmetries would aim to increase supply capabilities and competitiveness of beneficiary countries through support for micro, small and medium-sized enterprises and the provision of physical infrastructure. Third, there would be policies that address asymmetries through improved coordination of macroeconomic and incentives policies to promote investments and exports. Importantly, this would include the curtailment of undue competition among countries in the incentives offered to Foreign Direct Investment (FDI), which often erode the revenue base without stimulating higher growth and exports.

With respect to small countries, the Technical Meeting generated a large number of suggested measures and actions. It was agreed, however, that proposals for the consideration of the Summit should consist of practical and immediate steps aimed at promoting expanded exports, tourism and investment, including infrastructure. This would be without prejudice to longer-term action. The following measures were identified:

(a) **Sanitary and phyto-sanitary standards (SPS).** Regionalization and, if possible, simplification of SPS. The objective is to reduce the costs to firms of penetrating and servicing multiple markets in the region. This would be of particular value to firms in smaller economies and to Micro, Small and Medium Enterprises (MSMEs) in all economies. Consideration should be given to establishing a technical working group on SPS with this aim.

(b) **Technical assistance for market access**. The Rio Group countries should develop technical assistance programmes for exporters in smaller economies aimed at encouraging and facilitating their ability to access markets. Special attention should be paid to non-tariff barriers, language barriers and information asymmetries that hinder the ability of small economy exporters to access these markets. Asymmetries in negotiating capacity should be addressed through targeted training programmes and dissemination of information.

(c) **Business seminars**. This is an example of technical assistance. One large Rio Group country already organizes “how to export to ---“seminars for business persons" in other countries. Consideration should be given to extending and replicating this programme, particularly for the benefit of firms in smaller economies.

(d) **Business contact**. Consideration should be given to reviving the hemispheric business forums that were initiated during the Free Trade Area of the Americas (FTAA) talks, with the aim of promoting the participation of business persons from smaller economies and facilitating exports, investment and joint ventures between small and large economies.

(e) **Tourism.** The large mainland countries, in collaboration with tourism agencies in the English-speaking Caribbean, should organize special programmes to encourage mainland-island tourism and mainland-mainland tourism among Spanish-speaking, Portuguese-speaking and English-speaking countries; aimed particularly at benefiting smaller economies. There is also need for measures to reduce the import content of tourism and to strengthen its linkages with other sectors, particularly agriculture and manufacturing, to increase its contribution to growth.

(f) **Infrastructure**. The feasibility should be studied of extending IIRSA and the PPP by projects that provide or support an air and sea 'bridge' between mainland and island countries. This will facilitate trade, tourism, and investment linkages among the Caribbean, Central America and the larger countries in the Rio Group. Feasibility studies should be commissioned. The Rio Group members could call on the institutions supporting IIRSA and PPP (IDB, CAF, FONPLATA, CABEI and ECLAC) to support such feasibility studies.

(g) **Financing.** CAF and the CDB should study the feasibility of establishing a joint financing programme in support of trade, tourism and investment links between Latin America and the English-speaking Caribbean. There needs to be some agreement on the scope of any integration or cohesion funds. Importantly, it should be determined whether these will move beyond purely trade facilitation to tackling development constraints that impinge on success in trade. Other institutions, such as the IDB, could provide technical and financial assistance to promote further debate and action plans in this area.

(h) **Labour movement.** Consideration should be given to how the region intends to deal with the movement of labour. Even though this might be an initial proposal, given the sensitivity of this issue, some thought needs to be given to the movement of persons for investment and business development and then of workers, probably on a limited scale.

(i) **Social asymmetries.** Modalities for reducing social divergence in the region should be explored. Among these, best practices in education and training to create a productive and flexible workforce are critical. Also, models of social protection and redistribution should be evaluated for their relative merits and, where possible, some harmonization could be considered. Employment and labour practices, including the term structure of labour contracts, union practices and the use of tripartite agreements should be analyzed to create a flexible, but equitable work environment and alleviate poverty, opportunities should be explored for promoting policy dialogue among high-level policymakers from Latin America and the Caribbean to discuss key issues on the countries' social policy agenda.[23]

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[23] The IDB's Regional Policy Dialogues, on Poverty and Social Protection, Education, and Public Management, have each met once a year on average since the establishment of the Dialogue in 2000, with the participation of Latin American and Caribbean policymakers.

(j) **Monitoring and research**. Rio Group members should call on ECLAC, SELA, the ACS and the IDB to create joint mechanisms for research and monitoring of provisions for SDT and their effects, the factors that have prevented firms from taking greater advantage of SDT provisions in trade agreements, measures to address structural asymmetries and public policy asymmetries and their effects; and other factors impinging on the benefits that small economies derive from regional cooperation.

(k) **Support for small economies in the WTO**. Rio Group countries should give their support for the proposals of small economies in the WTO for greater flexibility in the implementation of WTO commitments that are particularly onerous because of their small size; and for greater policy space to protect their sensitive agricultural and industrial sectors and to foster industries, including service industries that diversify their economies. Importantly, the issue of managed trade and financial liberalization, including the pace and sequencing of reforms and measures to curtail the fall-out from speculative capital flows should be seriously tackled in the WTO.

(l) **Support on global and regional environmental issues**. Rio Group countries should give their political and technical support to the United Nations Declaration of the Caribbean Sea as a special area and the effective functioning of the Caribbean Sea Commission; and to the further implementation and financing for the SIDS POA.

Annex 1

Table 1: Rio Group Countries: Indicators of Size

Country	Population 000 2004	Land Area 000 sq km 2004	Total GDP, PPP $B 2005	HDI 2003	PSPH Index	Ratio PSPH Index Highest/Lowest	Rank PSPH Index
Brazil	186405	8459.4	1627.3	0.792	43.136	10784.0	1
Mexico	107029	1908.7	1052.4	0.814	13.949	3487.2	2
Argentina	38747	2736.7	558.8	0.863	12.168	3042.0	3
Colombia	45600	1038.7	354.3	0.785	6.899	1724.8	4
Peru	27968	1280	174.1	0.762	6.629	1657.3	5
Venezuela	26749	882.1	173.6	0.772	5.105	1276.2	6
Bolivia	9182	1084.4	26.2	0.687	4.608	1152.1	7
Chile	16295	748.8	205.9	0.854	3.727	931.6	8
Ecuador	13228	276.8	56.5	0.759	2.015	503.7	9
Paraguay	6158	397.3	30.5	0.755	1.899	474.8	10
Cuba	*11269*	*109.8*	*44.4**	*0.817*	*1.347*	*336.6*	*11*
Guatemala	12599	108.4	56.3	0.663	1.204	301.0	12
Honduras	7205	111.9	20.1	0.667	0.911	227.8	13
Uruguay	3463	175	35.2	0.84	0.871	217.6	14
Nicaragua	5487	121.4	20.2	0.69	0.825	206.3	15
Guyana	751	196.9	3.4	0.72	0.770	192.4	16
Dominican Republic	8895	48.4	67.4	0.749	0.752	188.0	17
Suriname	449	156	2.1*	0.755	0.601	150.3	18
Haiti	8528	27.6	3.4	0.475	0.567	141.8	19
El Salvador	6881	20.7	36.5	0.722	0.547	136.9	20
Panama	3232	74.4	25.5	0.804	0.498	124.5	21
Costa Rica	4327	51.1	43.2	0.838	0.479	119.8	22
Jamaica	*2645*	*10.8*	*11.7*	*0.738*	*0.233*	*58.2*	*23*
Belize	270	22.8	2.2	0.753	0.100	25.0	24
Trinidad & Tobago	*1305*	*5.1*	*18*	*0.801*	*0.086*	*21.5*	*25*
Bahamas	*323*	*10*	*5.3b*	*0.832*	*0.052*	*12.9*	*26*
Barbados	*270*	*0.4*	*3.9**	*0.878*	*0.017*	*4.3*	*27*
St Lucia	*161*	*0.6*	*1.1*	*0.772*	*0.013*	*3.4*	*28*
St Vincent & the Grenadines	*119*	*0.4*	*0.8*	*0.755*	*0.010*	*2.4*	*29*
Dominica	*71*	*0.8*	*0.4*	*0.783*	*0.008*	*2.1*	*30*
Grenada	*103*	*0.3*	*0.9*	*0.787*	*0.008*	*2.0*	*31*
Antigua & Barbuda	*77a*	*0.4*	*1*	*0.797*	*0.006*	*1.4*	*32*
St Kitts & Nevis	*46*	*0.4*	*0.7c*	*0.834*	*0.004*	*1.0*	*33*

Note: Countries in italics are not members of the Rio Group, but all except Cuba are members of CARICOM, represented in the Group by Guyana. The PSPH Index is a size indicator combining population, land area, aggregate GDP, and human capital as measured by the Human Development Index

Source: Updated version of Annex 1 of the 2003 ACS report on “International Trade Negotiations and Small Economies in Latin America and the Caribbean: Asymmetries and Special and Differential Treatment from the 3rd Brainstorming Meeting on the Treatment of Small Economies in International Trade Negotiations in Caracas, Venezuela. Sources of updated data include: World Bank- World Development Indicators online database available on the website: http://devdata.worldbank.org/dataonline/. United Nations Statistical Division available on http://unstats.un.org/unsd/snaama/selectionbasicFast.asp

Note: Index: a-2001, b-2002, c-2003, *1999 PPP; PSPH= (100/3) x {[(pop./max.pop) x (HDI/max.HDI)] + (area/max.area) + (GDP/max.GDP)]
Population Max., Land Area Max., and GDP Max. For 2004 in the Hemisphere is United States and are 298213, 9159 & 10763.9 while HDI Max. For 2004 is Canada's 0.949.

Table 2: World Bank Composite Vulnerability Indices for Rio Group Countries

Country	Trade Dependence Index	Vulnerability to Natural Disasters Index	UNCTAD Diversification Index	Composite Vulnerability Index	Rio Group Rank	World Rank
Antigua/ Barbuda	*90.5*	*430.77*	*0.832*	*11.246*	*1*	*2*
Bahamas	*45.33*	*491.28*	*0.85*	*10.433*	*2*	*4*
Dominica	*50.33*	*261.97*	*0.769*	*8.122*	*3*	*12*
Guyana	85.75	85.17	0.885	7.953	4	13
Grenada	*44*	*228.26*	*0.845*	*7.848*	*5*	*15*
Jamaica	*61.2*	*130.86*	*0.85*	*7.484*	*6*	*18*
St Lucia	*68.33*	*92.88*	*0.88*	*7.449*	*7*	*19*
Belize	55.4	28.19	0.952	6.652	8	23
St Vincent & Gren	*47.75*	*74.8*	*0.865*	*6.563*	*9*	*24*
St Kitts & Nevis	*59*	*21.43*	*0.85*	*6.362*	*10*	*29*
Barbados	*53.2*	*0.46*	*0.759*	*5.67*	*11*	*38*
Honduras	33.2	15.77	0.864	5.373	12	46
Paraguay	32.8	18.55	0.86	5.346	13	47
Trinidad/ Tobago	*38.4*	*0.13*	*0.781*	*5.264*	*14*	*49*
Costa Rica	39.6	37.49	0.718	5.09	15	57
Ecuador	29	31.66	0.808	5.05	16	64
Chile	29.4	24.76	0.794	5.016	17	68
Panama	38.4	8.93	0.701	4.995	18	69
Suriname	12	0	0.933	4.921	19	78
Nicaragua	23.2	44.39	0.825	4.92	20	79
Venezuela	28	1.09	0.769	4.887	21	81
Dominican Republic	24.6	79.83	0.793	4.858	22	83
Bolivia	19	92.17	0.797	4.691	23	93
Haiti	8.5	114.35	0.833	4.474	24	96
Peru	10.8	93.17	0.807	4.461	25	97
El Salvador	19	47.19	0.72	4.434	26	98
Guatemala	18.2	2.66	0.727	4.431	27	99
Uruguay	20.6	0.75	0.688	4.378	28	101
Colombia	17.2	7.62	0.631	4.078	29	105
Argentina	7.4	60.34	0.564	3.539	30	109
Brazil	9	63.01	0.517	3.433	31	110
Mexico	15.4	5.54	0.384	3.194	32	111

Countries in italics are CARICOM states that are represented in the Rio Group by Guyana.
Source: Adapted from Report on Latin America and the Caribbean Small State Conference, St Lucia, Feb 1999- "Small States: A composite Vulnerability Index". This index demonstrates that output volility can be explained in part by three highly significant factors: a country's openness -measured by the average exports of goods and non factor services as a percentage of GDP; its lack of diversification, as measured by UNCTAD diversification index; and for small states is susceptibility to natural disasters , as measured by the proportion of the population affected by such events as estimated over a relatively long period of time. http://lnweb18.worldbank.org/External/lac/lac.nsf/c3473659f307761e852567ec0054ee1b/629bfda942b112e2852567fc00530409?OpenDocument
This website was accessed in September 2006.

Table 3: United Nations Economic Vulnerability Indices for Rio Group Countries

Country	**United Nations EVI**	**Rio Group Rank**
St Lucia	*56.99*	*1*
Dominica	*56.05*	*2*
St Vincent & the Grenadines	*51.65*	*3*
Guyana	51.41	4
St Kitts & Nevis	*50.26*	*5*
Haiti	*45.61*	*6*
Dominican Republic	45.54	7
Bahamas	*45.37*	*8*
Suriname	44.28	9
Grenada	*43.67*	*10*
Nicaragua	43.16	11
Paraguay	43.05	12
Cuba	*41.5*	*13*
Antigua & Barbuda	41.2	14
Belize	40.47	15
Trinidad & Tobago	*39.03*	*16*
Barbados	*36.54*	*17*
Honduras	35.73	18
Venezuela	33.79	19
Jamaica	*31.18*	*20*
Ecuador	29.4	21
Panama	28.89	22
El Salvador	28.36	23
Bolivia	27.24	24
Peru	26.13	25
Guatemala	25.99	26
Chile	25.09	27
Colombia	24.28	28
Uruguay	24.09	29
Costa Rica	23.99	30
Mexico	15.47	31
Argentina	15.22	32
Brazil	15.2	33

The UN Economic Vulnerability Index is used by WTO members as one of the criteria officially recognised in the definition of LDC. Countries with a score of >31 are considered vulnerable; >36 highly vulnerable/LDC

Source: Adapted from Annex 2 of "Data Paper 5: Small Vulnerable Economy Issues and the WTO" by Grynberg and Remy in the 24th; Commonwealth Parliamentary Conference of Members from Small Countries, September 2004, Quebec City, Canada. Countries in italics are not members of the Rio Group, but all except Cuba are members of CARICOM, represented in the Group by Guyana

Information was sourced from UN ECOSOC (2001). This paper can be accessed on: www.cpahq.org/SCC5_pdf_media_public.aspx.

Table 4: Exports by Technological Intensity and Size Group

Country /Group	**PSPH Index**	**% EXPORTS**		
		A, B & C	**D & E**	**Total**
'Small' and 'Mid-sized'				
Belize	0.100	95.2	4.7	100.0
Panama	0.498	95.3	3.3	100.0
Costa Rica	0.498	49.5	49.2	100.0
El Salvador	0.547	75.3	21.8	100.0
Dominican Republic	0.752	88.9	10.5	100.0
Guyana	0.770	80.1	1.1	100.0
Nicaragua	0.825	88.7	4.6	100.0
Uruguay	0.871	87.0	11.8	100.0
Honduras	0.911	84.2	11.7	100.0
Guatemala	1.204	91.9	7.0	100.0
Paraguay	1.899	96.2	3.6	100.0
Ecuador	2.015	96.4	3.2	100.0
Chile	3.727	91.4	7.4	100.0
Bolivia	4.608	94.3	4.2	100.0
Venezuela	5.105	95.3	4.5	100.0
Peru	6.629	76.3	4.2	100.0
Colombia	6.899	79.3	15.8	100.0
'Large'				
Argentina	12.168	79.6	19.9	100.0
Mexico	13.949	35.2	63.6	100.0
Brazil	43.136	68.2	31.0	100.0

Notes: A, B, & C: Primary commodities, labour intensive and resource-based manufacturers, and manufacturers with low skill and technology intensity D & E: Manufactures with medium and high skill and technology intensity
Source:

Figure 1
CARICOM's Trade Balance with the Latin American Integration Association
1995 - 2001 (US$'000)

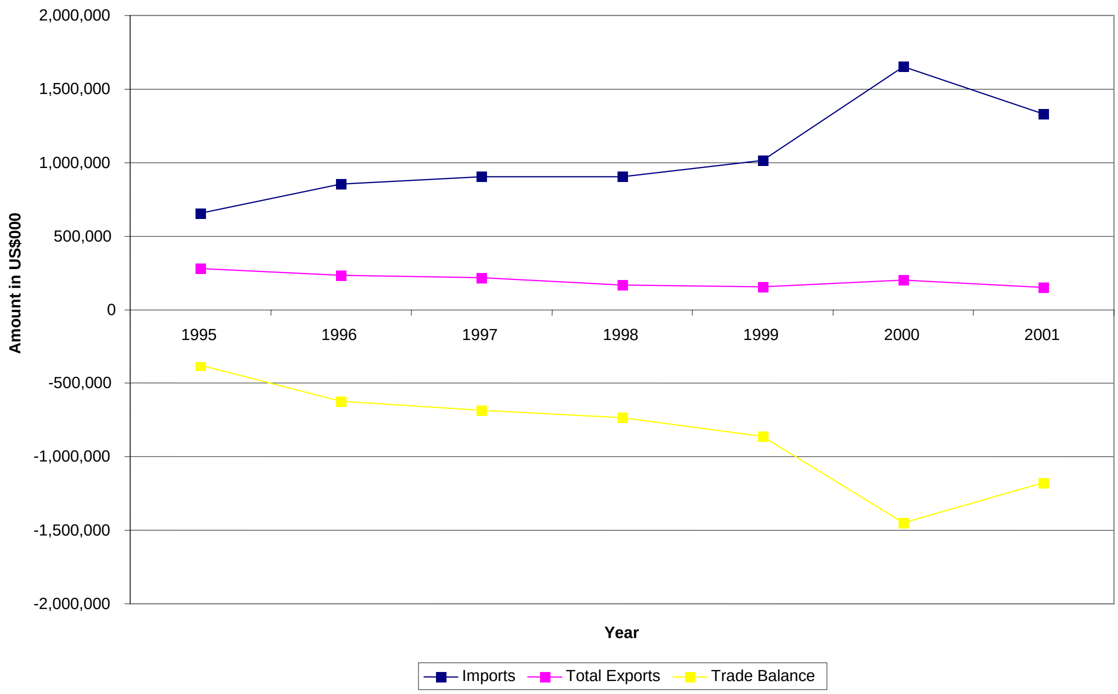


Figure 2: Value of CARICOM's Domestic Exports to the Latin American Integration Association By top three exporting Countries: 1996 - 2004 (US$'000)

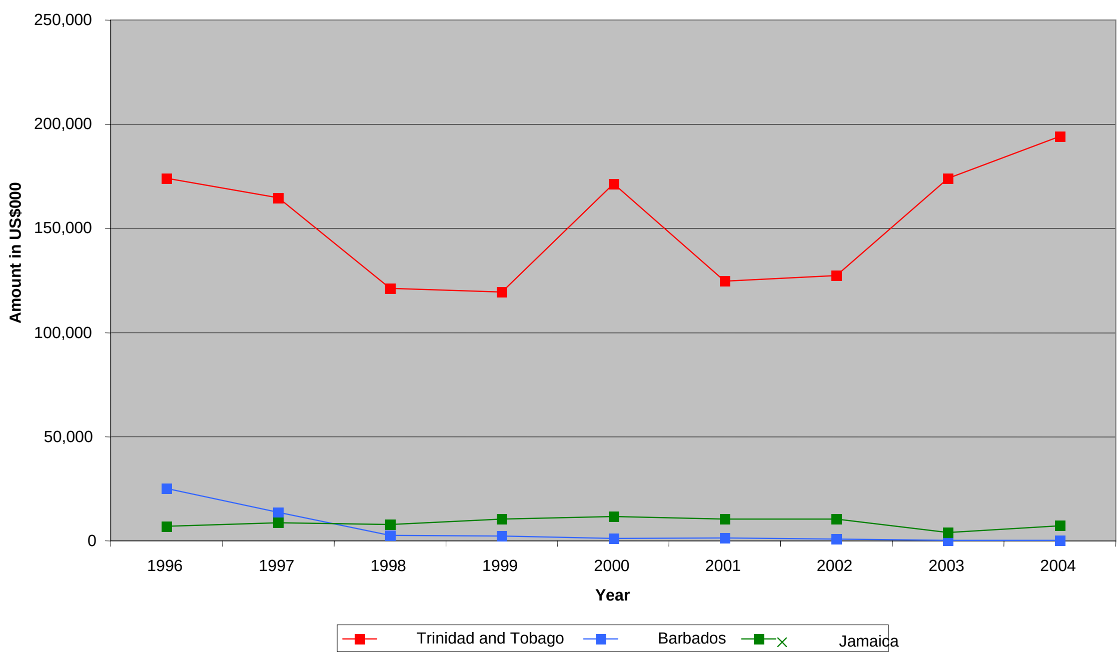


Figure 3: CARICOM's Trade Balance with the Andean Community: 1995 - 2001 (US$'000)

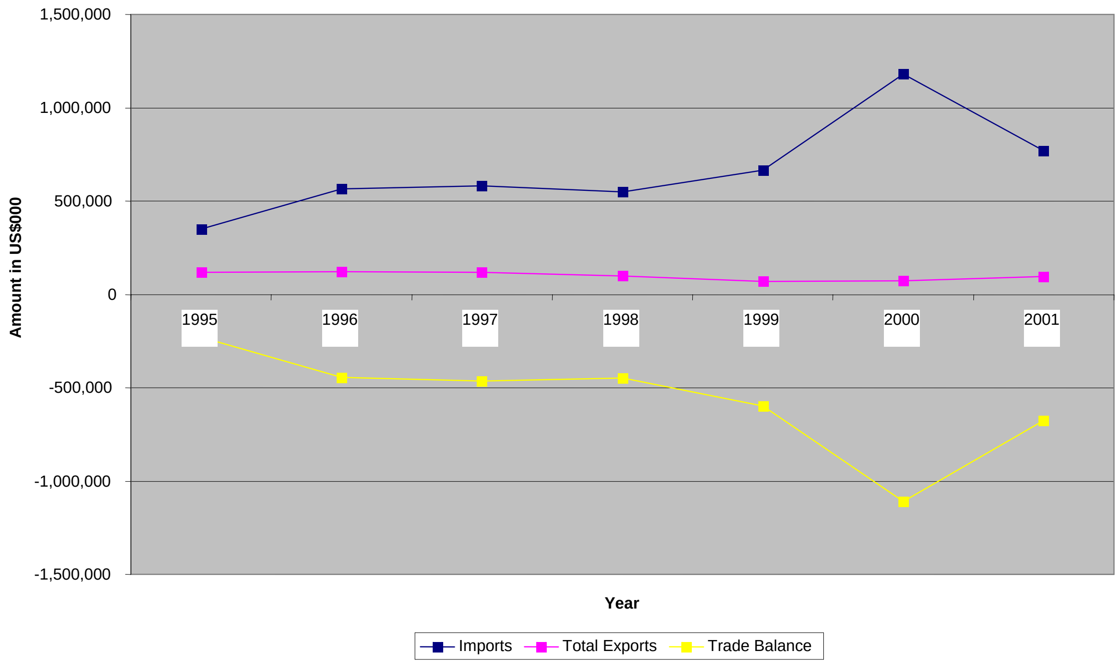


Figure 4. CARICOM's Trade Balance with the MERCOSUR: 1995 - 2001 (US$'000)

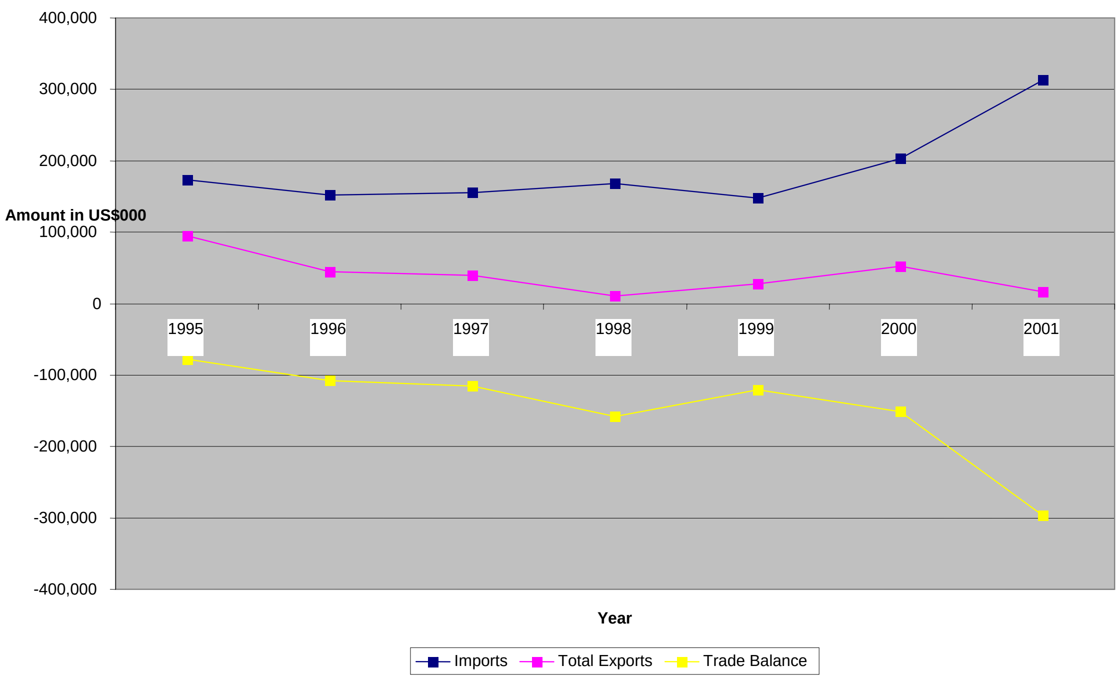
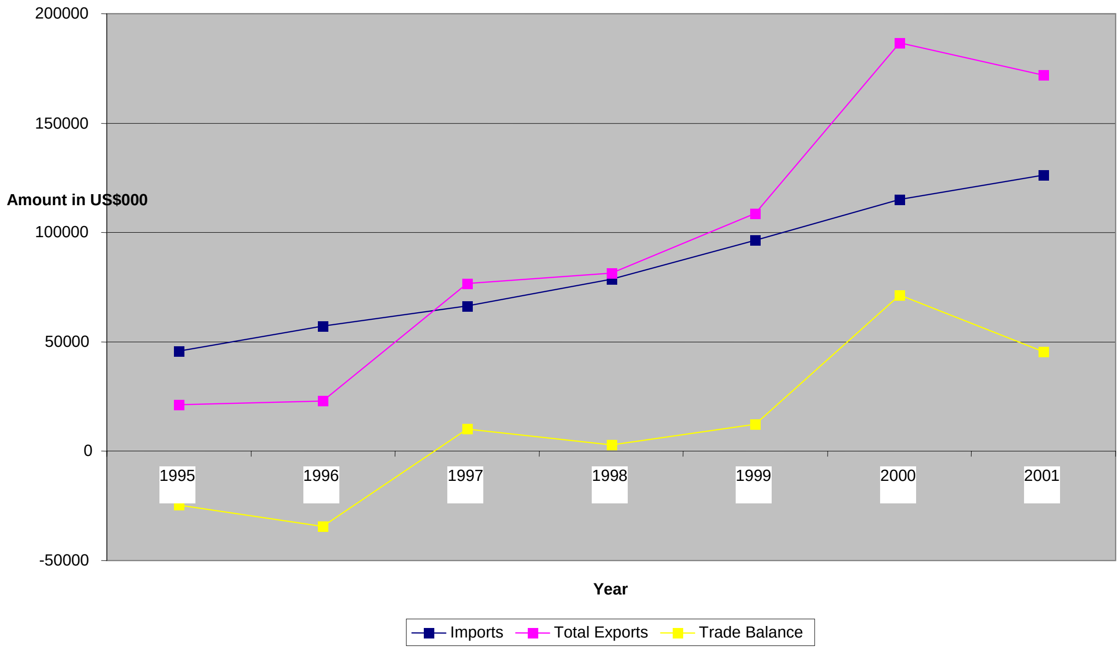


Figure 5: CARICOM's Trade Balance with the Central American Common Market: 1995 - 2001 (US$'000)



Annex 2

List of participants

VINCENT ATKINS
Senior Research Professional
Caribbean Regional Negotiating Machinery (CNRM)
c/o 44 Second Street
San Juan, Trinidad and Tobago
Tel: 868-758-9990
Email: Vincent.atkins@crnm.org

RUDOLF BUITELAAR
Deputy Director
Economic Commission for Latin America and the Caribbean (ECLAC)
Subregional Headquarters for the Caribbean
1 Chancery Lane, Port of Spain, Trinidad and Tobago
Tel: 868-623-5595
Fax: 868-623-8485
Email: Rudolf.buitelaar@eclac.org

NORMAN GIRVAN
Institute of International Relations
University of the West Indies, St. Augustine
Trinidad and Tobago
Tel: 868-662-2002 ext. 3236
Email: ngirvan@.fss.uwi.tt

ALIYUSKA HUERTA VASQUEZ
Trade Advisor
Association of Caribbean States (ACS)
5-7 Sweet Briar Road, P O Box 660
Port of Spain, Trinidad and Tobago
Tel: 868-622-9575
Fax: 868-622-1653
Email: ahuerta@acs-aec.org

ANNEKE JESSEN
Operations Specialist
Integration, Trade and Hemispheric Issues Division
Integration and Regional Programs Department
Inter-American Development Bank (IDB)
1300 New York Avenue N.W.
Washington DC 20577, U.S.A
Tel: 202-623-2798
Fax: 202-623-2169
Email: annekej@iadb.org

CLAREMONT KIRTON
Senior Lecturer
Department of Economics
University of the West Indies
Mona, Kingston 7
Jamaica
Tel: 876-512-3285; 977-1188
Fax: 876-977-1483
Email: Claremont.kirton@uwimona.edu.jm

PATSY LEWIS
Senior Fellow
University of the West Indies
3 Gibraltar Camp Road
Kingston 7, Jamaica
Tel: 876-927- 1234 /1020
Fax: 876-927 2409
Email: Patsy.Lewis@uwimona.edu.jm

MAURICE ODLE
Economic Adviser to the Secretary-General
Caribbean Community (CARICOM) Secretariat
Turkeyen, P.O Box 10827
Greater Georgetown
Guyana
Tel: 592-222-0001-75 ext. 2207
592-222-0132 (Director)
Fax: 592-222-0166/0171
Email: modle@caricom.org

NEIL PAUL
Manager, Research & Development
Shridath Ramphal Centre for International Trade Law, Policy & Services
University of the West Indies
Cave Hill Campus, P.O Box 64
Bridgetown, Barbados
Tel: 246-417-4805 /4533
Fax: 246-417-4058
Email: npaul@uwichill.edu.bb

ESTEBAN PEREZ
Economic Affairs Officer
Division of Economic Development
Economic Comisión for Latin America and the Caribbean (ECLAC)
Av. Dag Hammarkjold 3477, Vitacura,
Santiago, Chile
Tel: 56-2-210-2524
Fax: 56-2-210-0252
Email: esteban.perez@cepal.org

NEIL PIERRE
Director
Economic Comisión for Latin America and the Caribbean (ECLAC)
Subregional Headquarters for the Caribbean
1 Chancery Lane, Port of Spain, Trinidad and Tobago
Tel: 868-623-5595
Fax: 868-623-8485
Email: neil.pierre@eclac.org

JOSE PINEDA
Economista de Investigación
Corporación Andina de Fomento (CAF)
Oficina de Políticas Públicas y Competitividad
Ave. Luis Roche, Torre CAF, Altamira, Caracas - Venezuela
Tel: (58-212) 209- 2270
Fax: (58-212) 209-2406
Email: jpineda@caf.com

VERNON ROBINSON
Foreign Service Officer
Ministry of Foreign Affairs
“Takuba Lodge”, 254 South Road and New Garden Street,
Georgetown, Guyana
Tel: 592-225-3982
Fax: 592-225-9192
Email: Vrobinson66@gmail.com

ANTONIO ROMERO
Coordinador de Relaciones con Organismos Regionales y Extrarregionales
Secretaría Permanente, SELA
Torre Europa, Piso 4, Av. Francisco de Miranda, Urbanización "Campo Alegre"
Caracas 1060, VENEZUELA.
Tel: 58-212-955- 7111 (directo)
58-212-955- 7115 (master)
Fax: 58-212-951- 5292
Email: aromero@sela.org

SEBASTIAN SAEZ
Expert
Economic Commission for Latin America and the Caribbean (ECLAC)
International Trade and Integration Division
Av. Dag Hammarkjold 3477, Vitacura, Santiago, Chile
Tel: 56-2-210-2652
Fax: 56-2-208-2727
Email: Sebastian.saez@cepal.org

RAMON TORRENT
Coordinator
Observatory of EU – Latin America Relations (OBREAL-EULARO)
University of Barcelona
C/A. Florensa
08034 Barcelona, Spain
Tel: 34-93-403-44 79
Fax: 34-93-403-44 78
Email: rtorrent@ub.edu

NEVILLE TOTARAM
Coordinator, National Advisory Committee on External Negotiations (NACEN)
Trade Vice-minister
Ministry of Foreign Trade and International Cooperation, “Takuba Lodge”, 254 South Road, Georgetown, Guyana
Tel: 592-225-4166
Fax: 592-223-0900
Email: ntotaram@yahoo.com