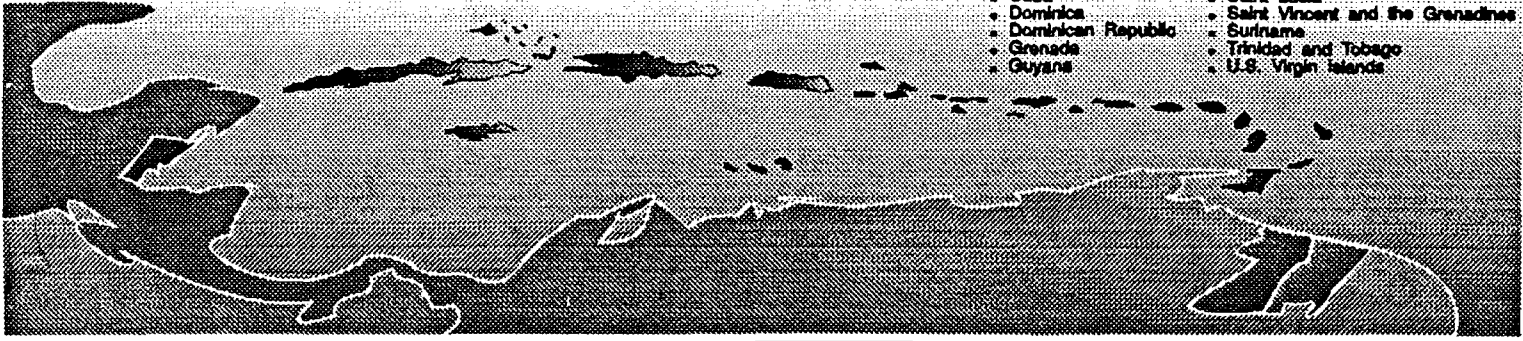




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Meeting on the Promotion of Intra-regional Trade
and Investment in Latin America and the Caribbean
23-24 September 1997
Port-of-Spain, Trinidad and Tobago

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**SYNTHESIS OF THE MEETING ON THE PROMOTION OF INTRA-REGIONAL
TRADE AND INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN**



UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean
CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

This meeting was organized by the Economic Commission for Latin America and the Caribbean (ECLAC) in the framework of the Project HOL-94-S44, "Promotion of Trade and Investment in Latin America and the Caribbean", which received financial support from the Government of the Netherlands.

INDEX

	<u>Page</u>
I. INTRODUCTION	1
II. PURPOSE OF THE SEMINAR	2
III. OPENING STATEMENTS	3
IV. PROGRAMME OF THE SEMINAR	5
V. SUMMARIES OF THE MAIN TOPICS PRESENTED	8
VI. SUMMARY OF THE DISCUSSIONS	17
VII. CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIONS	22
ANNEXES	29
ANNEX I: STATEMENT OF HON. JOSEPH THEODORE, MINISTER OF FOREIGN AFFAIRS OF THE REPUBLIC OF TRINIDAD AND TOBAGO AT THE INAUGURATION OF THE SEMINAR	29
ANNEX II: LIST OF BASIC DOCUMENTS	32
ANNEX III: LIST OF PARTICIPANTS	33

I. INTRODUCTION

On 23 and 24 September 1997 a Seminar on the Promotion of intraregional trade and investment in Latin America and the Caribbean was held under the auspices of ECLAC and with financial support from the Government of the Netherlands, within the framework of Project HOL-94-S44, "Promotion of Trade and Investment in Latin America and the Caribbean".

ECLAC had been executing this project since 1995, involving its Headquarters in Santiago and the Subregional headquarters for the Caribbean (in Port of Spain, Trinidad and Tobago) and for Mexico whose activities to a large degree are geared to the Central American countries. Several activities were conducted through the project, aimed at the promotion of trade and investment among the three subregions and at securing advances in information interchange among the subregions of Latin America and the Caribbean. It sought to finally identify some possible actions that would contribute to the development of trade and investment among them.

This Seminar was the final activity of the project and beside sharing some of the work that was accomplished with the project, it afforded a full discussion of several topics deemed important to the objective of increasing regional integration and cooperation. More than forty-five experts of the three subregions were in attendance.

The promotion of closer economic ties among the several subregions of the hemisphere has in the past faced obstacles associated with structural, geographic and cultural aspects, which have prevented the establishment of more stable and vibrant linkages among the aforementioned subregions.

The challenges of globalization and the processes of economic and political adjustment that have taken place in the countries of the region lend urgency to the promotion of cooperation among the countries of the area, while facilitating it. This is especially valid in the face of centrifugal forces that propel the Latin American and Caribbean countries to open their economies to their traditional trading partners.

II. PURPOSE OF THE SEMINAR

Among the topics presented for discussion were: (1) the agreements adopted within the multilateral framework and through the full participation by Latin American and Caribbean countries in the World Trade Organization (WTO) and the meaning of these commitments in terms of challenges and opportunities, (2) the current status and advances noticeable within the different subregional integration schemes, their external projection and possible convergence, (3) the compatibility of national policies with those external commitments, whether they are of multilateral, regional, subregional and bilateral or plurilateral nature, and (4) some specific topics relative to trade in services and the promotion of foreign direct investment were also addressed, given their strategic character. Special attention was to be given to airing of differentiated positions of the economies of the region, as a result of their geographical position, relative size or degree of development and level of integration.

Particular importance was assigned to the discussion of the linkages among subregional schemes in the context of the growing recovery of intrasubregional flows within the different schemes and the expansion of extra regional demand. The meeting sought to discuss the strategic value of strengthening and promoting intrasubregional links as a means of consolidating a true Latin American and Caribbean integration network, with a centripetal synergy that would allow it to confront more solidly and competitively the external forces of globalization.

The meeting was also intended to promote a greater degree of mutual knowledge on the part of those responsible for trade and investment policies in the subregions. It generated a fruitful, frank and open interchange of opinions on some key matters that affect each subregion in Latin America and the Caribbean in its trade relations and in relation to the capacity to mobilize investment flows.

III. OPENING STATEMENTS

Ms. Len Ishmael, Director of ECLAC Subregional Headquarters for the Caribbean, welcomed participants to the Seminar and indicated that the project "Promotion of trade and investment in Latin America and the Caribbean" was initiated as a result of the vision shared by the Directors of ECLAC's offices in Mexico, Chile and Trinidad. She observed that through the use of advances in information technology to reduce the difficulties created by distance, the project was implemented by the staff of the three offices and finalized via electronic consultation and editing, a process which for ECLAC, had been, in many ways extremely rewarding and one which they hoped would continue.

She informed that the project encompassed all of the Latin American and Caribbean countries served by ECLAC and was precipitated by the recognition that the region was not as integrated as it could be. In the process, the project involved the collection, compilation and analysis of the trade statistics of the individual countries as well as information collected and analyzed as a result of developments in trade stimulated by agreements such as the NAFTA.

The Hon. Joseph Theodore, Minister of Foreign Affairs, Trinidad and Tobago delivered the feature address and formally opened the seminar. He recalled the origin and evolution of the project and indicated his government's gratitude to the Government of the Kingdom of the Netherlands for its foresight in recognizing the importance of this project and for its agreement to fund it.

He stated that the project found that there was much scope for increasing trade as well as investment between the countries of the wider region. He noted that Intra regional trade had spawned a relatively low level of trade among the different integration schemes. He felt that whatever the reasons offered for these trading deficiencies, that unsatisfying situation, coupled with the inexorable move towards globalization and liberalization of the world economy, presented the region with an enormous challenge requiring the immediate adoption of a number of measures.

He concluded that the promotion of intra-regional trade and investments was as much a matter of becoming more comfortable with each other, sharing in and appreciating each other's culture as it was in the establishment of relationships that would lay the foundation for investment opportunities. To this extent, he endorsed the role that ECLAC continued to play in this area.

In his opening remarks, His Excellency P.G.M. Zwartkruis, Ambassador of the Kingdom of the Netherlands, confirmed the support of the Netherlands to the United Nations as an instrument of global cooperation for the welfare of people as well as to ECLAC as an institution working together with Latin America and the Caribbean countries on the advancement of their economic development and the expansion of their regional markets.

He stated that during the previous fifteen years there had been a dramatic change not only in the international political environment but also in the economic circumstances, to the extent that international cooperation had become increasingly necessary to ensure a decent life for many peoples. He felt that the challenge for years to come was for countries to work together on development, economic growth and improvement of the quality of life as they would affect communities and individuals.

He concluded by stating that the government of the Netherlands was proud to have been able to contribute to the project and hoped that the outcome would not only be that of improving trade relations but also of increased communication, cooperation and exchange of information.

Mr. Horacio Santamaría, Director of the ECLAC Mexico Subregional Headquarters, thanked the Kingdom of the Netherlands for its contribution and described that country as an exceptional supporter of ECLAC's activities. He informed that the goal of the seminar was the analysis of regional and subregional integration with a focus on the compatibility of the differing groupings and individual economies. One of the results of this seminar would be to encourage the beginning of new studies on the promotion of trade and investment involving both the public and private sector.

Mr. Héctor Assael, Director of the International Trade, Finance and Transport Division of ECLAC Headquarters in Santiago commented that although trade within the respective economic integration groupings had grown substantially over the previous few years, trade among these regional sub-groupings continued to be at an unsatisfactory level. He stated that CARICOM, MERCOSUR, the Central American Common Market (CACM) and the Andean Community had all shown significant increases in trade among member countries over the previous five years, however, he pointed out that trade and investment between the trading blocs was lagging. He stressed the importance of formulating policies that promoted regional and subregional integration.

All of the speakers at the Opening Session wished the meeting success and looked forward to a period of fruitful discussions and a set of imaginative recommendations to further the work of the project.

IV. PROGRAMME OF THE SEMINAR

The following programme was adopted and, was carried out over the two day period in four work sessions.

Opening session

Registration of participants

Opening of the meeting

SESSION 1 GENERAL FRAMEWORK

(Moderator: Dr. Len Ishmael, Director, Subregional Headquarters of ECLAC for the Caribbean, Port of Spain)

- a. Scope, purpose and results of the project
(Presenter: Ricardo Zapata, ECLAC, Mexico)
- b. Trade policies and commitments after the Uruguay Round (Document "Trade policies and commitments in the World Trade Organization" - LC/R.1672)
(Presenter: Gabriel Casaburi, FLACSO, Buenos Aires, Argentina)

Discussion on various aspects of liberalization of trade in goods (adaptation of trade policies, institutional aspects, opportunities and challenges of the private sector)

SESSION 2 TRADE IN SERVICES AND FOREIGN DIRECT INVESTMENT

(Moderator: Mr. Horacio Santamaría, Director, ECLAC Subregional Headquarters, Mexico)

Liberalization of trade in the services sector

- a. Integration in the services sector in Central America and Panama
(Presenter: María Isabel Morales, Consultant)
- b. Appraisal of the degree to which the Dominican Republic is prepared for openness in the services sector
(Presenter: Federico Cuello, Consultant)

Discussion

Foreign direct investment. Existing examples and actions to promote it (Document “A Proposal for monitoring Intra-regional and foreign direct investment in Latin America and the Caribbean” - LC/R.1696)

(Presenters: Mr. Alvaro Calderon and Mr. Ricardo Ffrench-Davis, ECLAC, Santiago)

SESSION 3 SUBREGIONAL INTEGRATION SCHEMES AND THEIR EXTERNAL PROJECTION

(Moderator: Mr. Lancelot Busby, ECLAC Subregional Headquarters for the Caribbean, Port-of-Spain)

- a. The CARICOM experience (Document “Reflections on Caribbean integration”)

(Presenter: Mr. Trevor Harker, ECLAC Subregional Headquarters for the Caribbean, Port-of-Spain)
- b. The wider Caribbean experience (Document “Intra-ACS Trade: An overview of CDCC trade with non-CDCC groupings - LC/CAR/G. 478)

(Presenter: Mr. Sidya Ould El Hadj, ECLAC Subregional Headquarters for the Caribbean, Port-of-Spain)

Discussion

- c. The Central American experience

(Presenter: Mr. Ricardo Zapata, ECLAC Subregional Headquarters, Mexico)

Discussion

- d. The South American experience

(Presenter: Mr. Johannes Heirman, ECLAC, Santiago)

Discussion

SESSION 4 COMPATIBILITY AND POSSIBILITIES OF CONVERGENCE

(Moderator: Mr. Hector Assael, Director, International Trade, Finance and Transport Division, ECLAC, Santiago)

- a. Trade liberalization and competitiveness of smaller economies

(Documents “Readiness of small countries to participate in the Free Trade Area of the Americas - LC/L.932 and “Characteristics of the Central American Isthmus and the Dominican Republic which might affect their participation in the FTAA” - LC/R.1584)

(Presenter: Mr. Hubert Escaith, ECLAC, Santiago)

b. Proposals of compatibility and possibilities of convergence of different subregional integration schemes (Document "Promoting economic links between the integration schemes of Latin America and the Caribbean" - LC/R.1728)

(Presenter: Mr. Eduardo Gana, Consultant)

General discussions and final considerations on the meeting

Closing session

V. SUMMARIES OF THE MAIN TOPICS PRESENTED

Trade policies and commitments in the World Trade Organization

The paper "Trade policies and commitments in the WTO" was prepared by Diana Tussie and presented by Gabriel Casaburi. The primary aim of the paper was to review the main commitments undertaken within the framework of the WTO and the policy implications of such agreements. The paper was divided into five sections, the first reviewed the content of the agreements and the dilemmas faced in implementing them. It was found that generally, the WTO agreements were significant from two standpoints. On the one hand, to the issues that need to be dealt with on the new trade agenda and on the other, to possible formulas that could be applied in future negotiations. It was found that the trade agenda had expanded and more and more policies had come under international scrutiny; the delicate balance between trade policy and trade negotiations must be fine tuned. Under the new trading system, governments must deal with the tension between the need to develop new exports and the pressure to harmonize policies.

The paper also discussed the agenda of the WTO, and analyzed specific issues in terms of the new parameters of trade policy. The matter of special and differential treatment for developing countries was discussed, followed by an analysis of the negotiations conducted under the agreement on intellectual property rights. The issues of harmonizing trade policy in regard to subsidies and safeguards was also examined. The paper identified the different effects which the new international standards will have, from three different standpoints: the long-term and short-term impact; the maneuvering room that is left at the domestic and at the external levels; and the impact on the region as a whole and on the countries individually.

The paper observed that nevertheless, the commitments undertaken within the framework of the WTO outlined the course, if not the scope, of trade reform in Latin America. In moving from general issues on the trade agenda to the specific matters that were being dealt with by the WTO, it seemed apparent that the countries still had considerable maneuvering room, both in the region as a whole as well as by individual countries, recognizing the positive effects of joint, regional, cooperative or harmonized actions.

Integration in the Services Sector in Central America and Panama

This paper was prepared and presented by M. Isabel Morales, Consultant to the ECLAC Subregional Headquarters in Mexico. The paper sought to highlight the elements of possible discrimination in international trade in several service sectors in Central America and Panama and the possibility of integration among the different countries through common and horizontal legislation. Certain factors were identified that needed attention in order to accomplish regional harmonization in this regard.

The paper stressed that the problem of discrimination in the existing policies on international trade in services affected not only outsiders (non-members of the subregional integration scheme), but also activities between the countries of the sub-region. While it might be thought by some that harmonization within the region was an easy task because of the abundance of very similar and repetitive regulations of the different countries, the fact that so many exist may mean that many of them are not being applied. It was suggested that there should be a substantial purging and deregulation effort so that those measures remaining could be applied effectively.

It was also pointed out that while there are commitments by members towards openness within the region, there appears to be a tendency of the legislative bodies to defend vested interests, even from one another. This appeared to be one of the general principles governing all service-related legislation and regulation in the countries of Central America. Even on the level of sector-specific regulation there is discrimination, with market access being controlled. An example cited was professional services, where professional collegiate bodies or associations represent the interests of those already established.

Furthermore, there seemed to be a very ambivalent nature to horizontal legislation. On the one hand, those *commitments* to openness incorporated into the Uruguay Round Agreements are shown to lack specificity, and provide for neither detail nor openness; while on the other, *legislation* aimed at horizontal openness (widening) is generally too specific, lacking a general-purpose nature that could more easily see the fruition of efforts aimed at regional integration of trade in services.

It was proposed that with clearly defined parameters and indicators for each service in place, the region would be in a position to tackle the issue of economic openness meaningfully.

Appraisal of the degree to which the Dominican Republic is prepared for openness in the services sector

The paper presented by Mr. Federico Cuello, Consultant to ECLAC Subregional Headquarters in Mexico, gave a brief account of the foreign trade situation in the Dominican Republic with an appraisal of the economic and legal position of the services sectors. In each case it identified the measures currently affecting trade and the implications of services-related disciplines put in place by subregional agreements in the Western Hemisphere.

The presenter also examined the legislation covering services in the Dominican Republic and gave specific appraisals of the performance of the different sectors and provided a provisional assessment of the compatibility of domestic regulations with the disciplines governing services in the free trade treaties of the hemisphere.

The main conclusion of the study was that the Dominican Republic was prepared to undertake liberalization commitments in three of the four supply categories of its main tradable services. In the other, there remained restrictions on the mobility of persons. That would need

to be evaluated in the light of the negotiations on professional services taking place in the different forums of the hemisphere, and the World Trade Organization (WTO).

A Proposal for Monitoring Intra regional and Foreign Direct Investment in Latin America and the Caribbean

This paper was prepared by Ms. María Elisa Farías, Consultant to the International Trade Unit of the International Trade, Finance and Transport Division of ECLAC and the issue of foreign direct investment (FDI) was presented by Mr. Alvaro Calderón, Sub-Director of IRELA. The main aim was to examine the phenomenon of (FDI) in the countries of Latin America and the Caribbean.

The first section dealt with the emergence and growing importance of FDI in the region coming from the major industrialized nations such as the United States, the United Kingdom, France, Japan and Germany. However, it indicates that over recent years there have been some significant investments from countries within the region itself, like Argentina, Brazil, Chile, Colombia and Mexico. FDI has traditionally been important in the region in respect of capital formation, employment, technology transfer and export dynamics, and has therefore become a core part of development strategies adopted by the countries of Latin America and the Caribbean to gain access to international markets for tradable goods.

The second section discussed domestic legislation in the region and the FDI registration practices of certain countries, and the difficulties encountered by inadequately recording FDI. One of the main problems is that the definitions of FDI used in the legislation of the different countries within the region vary. This makes the exchange of information difficult. Secondly, detailed knowledge about capital inflows and outflows is almost impossible to ascertain because of the differences in the criteria used for defining 'incoming investments' and 'outgoing investments'. There is also a lack of adequate information on foreign investment, including inflows and outflows, due to (1) liberalization of foreign capital rules, and (2) inflexible rules for registration and investment.

The final section covered certain basic proposals that should be incorporated into the registration requirements in order to encourage foreign investment. One such proposal is that the capital flows be adequately recorded in the balance of payments of each country. Another is that the countries of the region have more detailed knowledge of FDI with respect to devising policy measures to attract foreign investment that will further increase gross capital formation, the adoption of new technologies and increased competitiveness.

Mr. Alvaro Calderón, Sub-Director of IRELA stressed the volatility inherent to foreign capital flows and their potential to activate economic growth, while carrying the risk to introduce destabilizing effects in the regional economies. The negative effects of the Mexican crisis of 1994 on foreign capital flows proved to be only short lived, and already in May 1995 the region gained renewed access to capital markets, mainly through the emission of bonds and foreign direct investment. During 1996 FDI reached a new record of 30 billion dollars. Brazil alone absorbed

10 billion dollars during 1996 while investment in Mexico lost dynamism. He briefly described the changing factors behind this foreign investment surge, such as the opening of the economies, the higher interest rates paid in the region and the subsequent processes of privatization and regional integration. In effect, in recent years there had been some significant government divestments where there had been participation of private enterprises from countries of the region itself, like Argentina, Brazil, Chile, Colombia and Mexico. Asian countries have been investing in Central America and the Caribbean, seeking to ensure a stronghold in an area that has benefited from preferential access to the United States market through the Caribbean Basin Initiative.

Capital Flows and Investment Performance: An Overview

This paper was presented by Mr. Ricardo Ffrench-Davis of ECLAC Headquarters in Santiago. It addressed the issues of allocation of foreign capital inflows into consumption and investment by Latin America, and of the identification of macroeconomic and institutional prerequisites necessary to (a) turn foreign savings into productive, long-term investment, (b) strengthen the complementarity of domestic and foreign savings, and achieve sustainable macroeconomic balance.

The presenter reaffirmed the strong correlation between investment and growth rates. In the mid to late 1960s the countries of the region saw capital flows being directed towards particular investments and official project lending. In recent decades, however, there had been a break in the link between capital flows and actual productive investment because of many factors. Also to be considered was the severe fluctuation and instability of the economies of Latin America over the past twenty five years. In the 1970s there had been a large supply of external funds to the region, and this had resulted in significant growth of GDP and of investment. By the 1980s there had been a shortage of foreign exchange, and a debt crisis had swept the region with sharp declines in economic activity, capital formation and investment. Even though the early 1990s had brought large amounts of funds again, there was a meager rise in real GDP and only a modest recovery of the investment ratio. Rather than increasing productive capacity, the inflows had helped most Latin American countries to recover from the deep recession that still prevailed in the late 1980s. And again in late 1994 to early 1995 there had been a sharp drop in financial private capital flows (except FDI which had remained stable).

The presenter addressed the question of how developing countries could secure large benefits of foreign capital inflows without incurring unnecessary crises. Both a high rate of investment and improvements in productivity are needed in order to attain dynamic economic growth, since these two factors reinforce each other.

Reflections on Caribbean Integration

Mr. Trevor Harker, Regional Economic Adviser, ECLAC Subregional Headquarters for the Caribbean presented the CARICOM experience. His paper listed the main milestones of the Caribbean Integration effort and measured its evolution against global and hemispheric

developments. The paper examined the integration process into three distinct phases, that is, its formative period, from the Treaty of Chaguaramas to its revision in Grande Anse (1973–1989), a period of stock-taking, covering the period from the Grande Anse meeting to the one in Port of Spain, a pivotal phase from 1989-1992 where the report of the West Indian Commission was prepared and presented to a special heads of government meeting; and the launching of the new single market and economy in Port of Spain to the meeting in Montego Bay, effectively from 1992 to July 1997, where the eighteenth and most recent meeting of the CARICOM Heads of Government had been held.

The report of the West Indian Commission essentially provided, according to the presenter, a new impetus for the integration movement. It was also spurred on by developments unfolding outside the region and provided a pivot around which the group, slowly at first but with increasing momentum, became more outward looking. Two global developments were notable, the GATT to WTO transition and hemispheric developments (signing of NAFTA and initiation of the FTAA process). As a consequence, measures to consolidate the Caribbean regional market and economy were increasingly viewed in the context of securing compatibility with international developments.

Initiatives were recommended for the establishment, progressively, of a free trade area, the customs union and the single market and the single economy. A somewhat tight schedule for the reform of CARICOM institutions and policies was set underway. The presenter stressed that it was essential that integration remained a means and did not become an end in itself and concluded by observing that since Grand Anse, the task had been one of reconciling regional policies with global trends. That task had been complicated because from its inception, Caribbean regional integration had been crafted as a defense against trends towards globalization. In his opinion that policy did not seem to have served its members well. The current task was to reverse a protectionist mind set and adapt to the new and more open modes of global interaction.

Intra-ACS Trade: An Overview of CDCC trade with non-CDCC groupings

Mr. Sidya Ould El Hadj, Economic Affairs Officer of the ECLAC Subregional Headquarters for the Caribbean, discussed the issue of the wider Caribbean experience and presented the paper “Intra-ACS Trade: An Overview of CDCC trade with non-CDCC groupings”. The objective of this paper was to provide a preliminary and partial review of the patterns of trade in goods among the member countries of the Association of Caribbean States (ACS), using available data. The paper examined trade flows between the various cooperation and integration groupings whose members were all members of the ACS, namely the Caribbean Development and Cooperation Committee (CDCC), the CACM and the Group of Three. The paper also examined the trade policies and other factors affecting intra-ACS trade and recommended some policy proposals which might assist in the promotion of intra-ACS trade.

The presenter pointed out that in the ACS, trade had taken place mainly with developed countries. Intra-ACS trade had been generally of reduced importance and had been concentrated

among a few countries and in a few products. Despite their geographic proximity, these countries did not have any strong traditional trading relations and most of them belonged to other integration groupings whose members were not all members of the Association. In addition, members of the Association had been party to various bilateral and multilateral trade agreements with members as well as non-members of the Association, which might inhibit the expansion of total of intra-ACS trade.

He observed that the development of trade required not merely the implementation of trade liberalization programmes, but also a host of other mechanisms which included: constantly updated trade information systems, active trade promotion programmes, well-established export financing and insurance schemes, adequate transportation networks and mechanisms to facilitate trade between the various trading groups. It was suggested that those might be some of the factors that influenced both the level and the direction of trade in the ACS region, where, in spite of all the liberalization efforts, there persisted barriers of various kinds to be overcome.

The Central American experience

Although no formal paper was presented, Mr. Ricardo Zapata, Chief, International Trade Unit at the Mexico Subregional Headquarters provided a comprehensive review of the Central American integration process. He covered not only the economic aspects of the process but touched on the political and institutional concerns.

The presenter stressed that the Central American process, initiated in 1960, had achieved by the end of the seventies a higher measure of inter-relation than other similar schemes, even though based on an industrial process highly dependent on imported components and inputs. The goal of a common external tariff was part of the process from the outset and its more recent evolution shows a positive trend towards lower levels of protection, a reduction in the tariff dispersion and a larger coverage of the tariff schedule. Given the political and economic crises of the late seventies and early eighties the process was severely affected and was re-launched on the basis of the "Esquipulas process", a political commitment to peace, democracy and development. This process bore fruit by the beginning of nineties and both political and economic relations among the countries have been moving positively.

The new integration agenda, conceived as a proposal of "open regionalism", aims at consolidating, deepening and widening the process. In recent years the countries have incorporated social as well as environmental issues and the scheme now comprises an intensive process of negotiations both among the members of the original CACM (aiming for example at establishing a full customs union) and with other countries or groups of countries, such as the CARICOM, the Group of Three, Mexico and, more recently Chile. All CACM countries are members of the ACS. These efforts require, it was noted, a reorganization of the institutional framework that supported the process over the past 35 years and the latest presidential gatherings have adopted, on the one hand, a framework for such an institutional restructuring and, on the other, a commitment to advance towards a more political union.

The experience of South American integration

This topic was developed by Mr. Johannes Heirman of ECLAC Headquarters at Santiago. He pointed out the recent revitalization of the integration processes in the region from the earlier days of crisis in the integration movement. He traced the evolution of South American integration over a period of more than 35 years, starting with the formation of the Latin American Free trade Association (LAFTA) in 1960 and evolving towards MERCOSUR in 1991 and the Group of Three in 1995.

The more recent agreements differ from earlier integration attempts by several distinct characteristics: they aimed at the liberalization of virtually all mutual trade and the establishment of a common external tariff which would offer a moderate protection to regional production. Trade creation was favored over trade diversion, thus constituting a process under the new vision of integration as one of "open regionalism".

The presenter observed that the results of the implementation of the new model had been impressive. Total trade and intra-regional had both grown very rapidly in the present decade, although the latter had grown much faster than the first. Mutual trade was now important for most countries of the region. New areas were being added to the integration efforts. These included services, investment and the solution of trade disputes.

Notwithstanding its successes, regional integration had continued to encounter many challenges. The existing customs unions should be completed and then gradually transformed into common markets, involving free movement of capital, services and the labor force. Trade norms should be harmonized, efficient dispute settlement mechanisms should be set in place, and the harmonization of macro-economic, fiscal and competition policies would be required. The apparent present tendency towards bilateralism pointed out the need to actively pursue the convergence of existing agreements into wider and more comprehensive schemes.

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

The paper was presented by Mr. Eduardo Gana, consultant to the International Trade, Finance and Transport Division of ECLAC. The aim of the document was to present a detailed examination of trade between the different subregional integration schemes of Latin America and the Caribbean, with particular emphasis on trading activity between the member countries of the Latin American Integration Association (LAIA), the Central American Common Market (CACM) and the Caribbean Community (CARICOM). The study also analyzed the main features of foreign investment regimes in the region, the incipient flows of intra regional capital and the factors that have caused these to develop.

The paper was divided into three sections. The first dealt with trends in regional trade; the second covered intra regional investment; and the third offered some recommendations for possible measures to improve economic links between the integration schemes of the region. The

main recommendations were presented. It was purported that efforts should be directed, as far as possible, towards achieving overall balance in the trade between these countries and the rest of the world, coupled with acceleration of exports and imports by pairs of countries or subregions in Latin America and the Caribbean.

In view of the relatively limited export potential of the countries of the CACM and CARICOM, and of the difficulties that they are experiencing in maintaining their preferences in the United States market, it was quite likely that any preferential treatment granted by the member countries of the LAIA to these nations would be welcomed positively in both subregions. This could also lead to wider and presumably more balanced economic links between the more and less developed countries of the region, with benefits for both groups of countries.

Finally, it was observed that services could be a significant component of exports from the CARICOM countries to those of the LAIA and that the advantages of the Caribbean subregion should be exploited to develop services which complement the commercial linkages between the two subregions.

Readiness of Small Countries to Participate in the Free Trade Area of the Americas (FTAA)

The paper was prepared by the ECLAC Subregional Headquarters in Mexico, and was presented by Mr. Hubert Escaith, Economic Affairs Officer in ECLAC, Santiago. The paper attempted to identify those characteristics of the small economies of Central and South America and the Caribbean most likely to affect their participation in the FTAA, and to suggest cooperation activities which might facilitate their sustained participation in hemispheric integration.

The paper basically focused on three main areas of consideration. Firstly, it attempted to make a clear distinction between a country's eligibility to enter into negotiations and its level of structure and policy readiness for integration into a hemispheric free trade zone. In this regard, there are two types of criteria: the requirements which must be met in order to begin negotiations for a free trade agreement (eligibility), and the country's potential to benefit from free trade and trends towards globalization. With respect to the macroeconomic criteria, the countries of Central and South America and the Caribbean are in a favorable position to begin negotiations, having experienced lower rates of inflation and more moderate exchange rate fluctuations. However, with respect to other eligibility criteria, the region has made less progress with respect to making international commitments in the areas of labour, the environment and intellectual property.

Secondly, the paper attempted to compare each country with respect to certain indicators, and then rank countries according to their score for eligibility, structural readiness and policy readiness in relation to FTAA. It was evident that the smaller and less developed countries might not be able to take immediate practical advantage of the potential benefits of their prospective membership in the FTAA. The fact that most of these countries were relatively less developed (than the bigger ones) might reflect less structural readiness. Their need for external financing, the greater trade liberalization in order to be able to cover their import needs, and the

concentrated and vulnerable export structure made those economies highly exposed to external imbalances. In terms of policy readiness, however, there was not much difference between the larger and the smaller and less developed countries. The data indicated that although the small and less developed economies were at a disadvantage in a situation of liberalized trade, they had a better record in maintaining macro-economic stability.

With respect to improving the eligibility and readiness of the small countries of the hemisphere, the presenter identified several measures that could be implemented. He suggested that there should be a reform of the domestic tax structures and policies so as to reduce dependency on foreign trade taxes, and to increase resources devoted to matters connected with trade policy. He also advised that readiness could be increased by intensifying intraregional cooperation in the areas of public administration, trade, finance, investment and technology through training and technical and advisory assistance.

The presenter stressed the importance of reciprocal liberalization accompanied by rules of origin that are less strict for small economies, and by greater assurance of access to the markets of big countries. He advocated the establishment of a financial support mechanism to deal with possible imbalances of the balance of payments within the context of wider integration. The presentation highlighted the importance of creating incentives to intraregional investment in small countries by granting concessional credits or fiscal incentives. The formulation and negotiation of these measures should benefit from the active participation of the private sector. Lastly, various activities or programmes could be devised to disseminate "soft" technologies in small countries.

VI. SUMMARY OF THE DISCUSSIONS

Session I. General Framework

This session's discussion centered on the capacity of the Latin American and Caribbean region to fulfill commitments in the WTO and to take advantage of the opportunities deriving from commitments of third countries in the same body. Besides the multilateral and national contexts an interregional dimension can be distinguished, which was referred to as the third dimension Inter-regional linkages, which have not grown in comparison to the dynamism of intraregional trade, had the potential of becoming building blocks, according to the concept of open regionalism. It was recognized that the institutional capacity for trade and investment development was still limited, especially among the smaller countries of the region. Cooperation among the countries could partially offset these disadvantages. It was reiterated that national development strategies were each time more subject to international scrutiny. On the other hand, some participants pointed out, it would seem that developed countries relied increasingly on trade restrictions related to the compliance with labour rights an environmental protection criteria as a means to defend their own higher cost industries and reduce their levels of unemployment.

To say that is not to imply that goods and services produced in the region should not conform to international standards. Actually these quality and competitiveness standards seemed essential in order for trade in the region to achieve its fullest potential, and to allow for exports to third countries.

The opening of the services sector exposed the local services industries to the competition of huge international conglomerates. The interdependence existing between investment and trade was also pointed out, This relation should be put to use to increase intra-regional and inter-regional trade. Emphasis was also put on the role of the access to new technologies to increase the competitive position of the region. However, due to the commitments on intellectual property rights in the framework of the WTO, the acquisition of technology was perceived as becoming more expensive, and this might result in high social costs. Agriculture, insofar as it had been incorporated into the WTO disciplines, would limit to a certain extent the freedom of governments to support their food production and increase food security. It was noted, nevertheless, that in the negotiation process of the Uruguay Round, subsidies to agriculture would have actually increased. It was also noted that the recurrence to anti-dumping measures was also on the rise, applied by developed countries as well as among regional trading partners. These measures go against the contestability of markets and would require a regime which regulates its application, at least in the regional context.

It was also mentioned that greater and wider understanding of the cultures of targeted countries would contribute to improved trade relations. The participants attempted to address another issue that could affect trade relations: the aggressive use of incentives on the one hand,

and the conflicts and tensions which might arise among countries simultaneously pursuing both their own domestic agendas and regional trade policies on the other.

Session II. Trade in Services and Foreign Direct Investment (FDI)

Regulation of trade in services is neither standardized nor adequate in most countries. While certain services are still subject to many restrictions in most countries, in others, on the contrary, they have been much liberalized recently and are intensely disputed by international competitors. An example in the first instance would be professional services and telecommunications which would exemplify the others. In most cases, regulations either are outdated, not applied, superseded by technological changes, and hardly related to a development strategy. Some discussion was devoted to the strategic importance that services have for the development process and for productivity and competitiveness in the goods area, both in terms of production and trade. Those considerations should guide any liberalization process, which, like in the case of goods, could be undertaken in a framework of open regionalism, that is, starting within the subregions and regions in a move towards general opening.

Opinions were expressed that liberalization of services could be carried out in concentric circles, among which the regional context offers a distinct opportunity for gradual and negotiated opening of certain key sectors. Some reservations were expressed as to the potential negative effects of an indiscriminate and non-regulated opening of service activities. As an example, a participant stated that the more or less general opening of Caribbean economies had made these countries ever more dependent on tourism, and questioned whether such lack of regulation had given way to destructive competition among them.

The factors affecting the decision taken by the developed countries to invest in certain integration schemes were discussed. It was noted that to encourage further foreign investment certain key elements should be in place, including a stable political and macro-economic environment. In this regard, it would be beneficial to create more "openness" of the various economies within the region and a promote willingness for *horizontal* integration. These in turn should foster an environment for *vertical* integration. That is, increases in intragroup trade should create an environment for increased external investment in the countries of Latin America and the Caribbean, which should lead to increase value added in the region, thus deepening economic linkages and productive integration.

The point was made that currently there were no significant incentives to attract investment from countries of the region themselves, as distinct from those for the developed nations outside the region. Hence, the convenience for such incentives to encourage investment in this region was discussed.

Attention was also drawn to certain less desirable aspects of foreign investment. The privatization process in many instances had basically meant giving way to a change in property, not the elimination of monopolies, and only occasionally to the increase of productive capacity. Actually, national savings and investment might be "crowded out" (copped out) by foreign

investors, and national currencies might appreciate due to the heavy influx of foreign resources. It was noted that, just as in previous historical periods, much of the foreign direct investment was again being directed to the exploitation of natural resources, instead to processes that added value to local resources, and because of this countries tended to lose autonomy over the direction of their national development process.

Session III. Subregional Integration Schemes and their External Projection

Participants discussed whether the pace of integration was adequate and pointed out that countries outside the region were making changes within their economies to deal with integration at a much faster pace than some countries' capacity to make similar changes to meet with these trends. For example, it was suggested that in the services sector, these economies were not sufficiently prepared to operate in the global environment in a systematic manner. Generally, it was pointed out that services and investment were not sufficiently covered in existing integration agreements.

In joining new integration movements the countries of the region seemed unclear as to what was needed by their economies. In that light, some countries had a passive attitude, that is they did not propose integration policies to meet their own needs but merely accepted policy proposals coming from the outside. As a related problem, it was pointed out that the legislative process in most countries was too slow to incorporate on a timely basis the decisions taken in the integration forums. In fact, it was indicated that for example, integration of Caribbean countries with the United States economy was more intense than their mutual integration, neither in terms of proactive policies adopted within the area nor as the actual growth of intra-CARICOM trade. Opinions were expressed that, given the limitation of these economies, mostly because of size and degree of development, they would not have much capacity for growth of intraregional trade and the reduction of dependency from extra-regional sources of imports. Nevertheless, comments were also made that there were excessive criticism of CARICOM integration and that further weight should be given to other, non-economic factors, such as the strong feeling of belonging among the Caribbean population.

Participants also discussed the issues of deepening and widening in the context of subregional, regional and global integration movements. CARICOM would benefit from widening its scheme if it wants to entail successfully negotiations with other schemes. Widening was considered by some as a prerequisite for deepening of the movement. It was felt that this was a mutually reinforcing process because it was also true that if countries succeeded in deepening their mutual integration they would be in a better position to negotiate with other integration schemes.

Among the views expressed was that an integration agreement based on a "WTO plus" model was the best alternative that countries of the region should use when formulating their programmes and policies. As to the relative dynamism of inter-regional trade and linkages, a participant made reference to what he called the "syndrome of the equator". Countries above the equatorial line tended to be drawn into the North American integration sphere, while countries

below that line seemed to gravitate towards Mercosur. Mercosur was seen as dynamic process, which had almost consolidated its single market and where intra-firm trade was taking off. The maturity of the industrial sectors of Argentina and Brazil was pointed out as an element that allowed both countries to open their economies. The FTAA process was seen in this context as a means to break this equatorial syndrome, pointing out for the need to build from present schemes. It was suggested that actively seeking integration of South America with Central American and CARICOM countries could adopt several paths and one was to expand the LAIA. Another could be the initiation of negotiations between MERCOSUR and the Caribbean Basin countries, either as separate (CARICOM and the CACM), or within the overall FTAA process. This could have implications as to the speed and contents of FTAA negotiations. Some participants also indicated that it would even be possible that the FTAA negotiations could be eclipsed by the next WTO negotiations round, to start at the beginning of the next millennium. These regional or multilateral global and comprehensive processes, nevertheless, should not be a constraint for inter-subregional expansion and liberalization of linkages through trade and investment. In this respect, agreements of a bilateral or plurilateral nature could be the building blocks for those global ones. In this context, some participants drew attention to the perils of excessive bilateralism, which warranted additional efforts to multilateralize the partial agreements and increased the transitional costs for all concerned.

It was strongly emphasized that the involvement of the private sector was crucial to the success of the integration movement within the region, and that they should be made an integral part of such efforts, but through different mechanisms of consultation, to be devised and applied by each country or subregion within its existing policies, as well as through the promotion of trading and investment. Also identified was the important role that cultural, social and political factors played in the integration process. The meeting agreed that ECLAC should have an important role to play in the area given its close linkages to all subregions by means of its institutional setup and close work with countries within each grouping.

Session IV. Compatibility and Possibilities of Convergence

Theoretically small countries would most benefit from the participation in integration schemes, as they gain access to a much larger market. However, several participants noted that integration schemes had, in the short term, an uneven distribution of costs and benefits, that were not always favorable to small economies, particularly those with a lesser degree of development. These small and less developed countries in general, tended to more vulnerable to external events, including changes applied to preferential marketing schemes as well as other external forces such as natural disasters which affected not only their major export crops but their lifelines and canvassed all activities. But above all, it was also indicated, due to structural limitations they were not always in the position to take advantage of trade liberalization offered by their trading partners. Higher transaction costs and their relative dependence on an undiversified productive (agricultural) sector were mentioned among the disadvantages of such economies.

Therefore, several participants felt that their successful participation in any wider economic grouping would require some special transitional provisions for them, including longer

periods for their tariff reductions and cuts, rules of origin that allowed the aggregation of value at a subregional or regional level, more flexibility for the use of safeguards when disturbances affected their internal markets and comprehensive programmes of technical assistance actions in their favour. However, the alternate view was also voiced in the sense that longer transition periods or less stringent compliance did not really help the smaller economies, as it preserved inefficiencies and promoted complacency towards the need for reforms. In any case, it was agreed that size and degree of development really mattered and that small countries might gain through cooperation.

It was also concluded that integration should not be seen as an end in itself, but as a means to an end, which in the final analysis was the development and increased welfare of the participating countries' populations. Several participants noted that integration arrangements allowed participating countries to increase the quality of their exports and diversify their production patterns. Furthermore, it was felt that through integration countries could find some level of stability, since exports to regional markets could behave anti-cyclically. Some participants were of the view that a liberalization process, even if it could only contribute to growth in trade, was a positive measure. However, others cautioned against what was called "artificial integration", that is, when reciprocal liberalization was accepted by countries that did not have a relevant interdependence or share some common strategic goals, even if their levels of mutual trade were not very significant.

Integration was described as an gradual process which required continuous political support of its members. Political will should however be based on concrete results which rendered credibility to the process. The view was expressed that convergence among the different schemes should not advance at the cost of slowing the deepening of the existing schemes. The latter implied the harmonization of norms and rules, inclusion of increasing economic activities and sectors and a growing measure of trade and economic policy consultation, compatibility and eventual harmonization, considering that the ultimate aim of integration should be the improvement of the external insertion of the countries.

VII. CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIONS

Standing out as perhaps the most important conclusion of the meeting was that there was a great lack of information among the several subregions and that from this fact arose distorted visions and perceptions that made difficult the generation of closer ties among themselves. It was pointed out that the available data on indicators of interrelationship -mainly to trade flows and very limited knowledge on the movement of inter-subregional investment- would not satisfactorily reflect the degree of depth and the level of such interrelationship that already existed.

It was emphasized that, in any case, it seemed certain that the subregional and the extraregional relationships showed a high degree of dynamism and would to a great extent reinforce each other in a process of open regionalism. Nevertheless the dimension of the inter-subregional space would not appear to have equal dominance. This was not only a reason for concern about showing a weakness in the chain of a process of true hemispheric integration, stifling an area of vast potential. Such a potential was seen as being associated to the fact that among the subregions there would be an expanded possibility for productive and trading complementarity than within subregional markets and which had been tapped only marginally so far. Equally, there would be a space for the generation of productive links that would give greater depth to the industrial processes, allowing for a reduction in the dependency on inputs and capital goods coming from outside the region.

The lack of fulfillment of already existing integration commitments was also stressed as an element that limited the growth and importance of interdependence. Among other reasons were mentioned weak institutional structures both at the regional/subregional level and in member countries, and sometimes also due to the prevalence of either rivaling or contradictory commitments to third countries. The question of widening versus deepening was touched upon on numerous occasions, concluding that both dimensions could be complementary. The role of services trade in furthering of intraregional ties was analyzed. In this context emphasis was put on the lack of trustworthy statistics, on the need for adequate national legislation and the positive effect of undertaking trade facilitating actions. The role of foreign direct investment in the development process was stressed, while speakers pointed out the different ways to promote it, and the dangers involved in the attraction of speculative capital flows.

Integration was considered a political process which should be based on objective conditions and concrete results. Also emphasized was the fact that although integration's dynamism and depth could be limited by the small size of the markets (in terms of effective demand and purchasing power more than population size alone) of the countries involved, smallness was also a very strong justification for widening the process, if it coupled with increasingly cooperative efforts among the member countries. In the context of the convenience and expectations for attaining hemispheric integration as a result of negotiations within the FTAA

framework, participants agreed that it should be judged on its results, which were difficult to foresee at the moment.

But uncertainty was not a strong enough reason to avoid participation. In this sense, the cost of not being involved seemed higher than the risks of embarking on a process whose final outcome was not clear. In any case, any movement towards freer trade was consistent with increased development opportunities and faster growth.

A number of proposals were made for ECLAC to support this process, within the framework of technical cooperation activities and of projects as the one funding the meeting. In order to advance in the direction of increased interregional cooperation and at the same time, help countries overcome technical and institutional deficiencies that limited their negotiating capacity and their benefiting from the mechanisms of liberalization, some of the proposed activities were:

- a) Provide technical assistance for institutional strengthening;
- b) Generate a greater awareness of the "rights" (vis a vis the obligations) that countries acquire by virtue of their belonging to the WTO;
- c) Undertake studies for a deepening of knowledge of and the development of the technical capacity in matters referring to:
 - rules of origin (their transparency and not their use as a barrier);
 - dumping and anti-dumping measures;
 - measures for the promotion of competition; and
 - movement of persons.
- d) Conduct in-depth analysis of the new role that governments have within the frameworks of liberalization, privatization and regulatory agreements such as the ones on the protection of intellectual property, the environment, etc.
- e) Analyze and make proposals for the promotion of the interaction between intra-subregional investment and the generation of competitive advantages.
- f) Focus specific studies on the interaction between financing and trade mechanisms.
- g) Make proposals for technical cooperation as a complement to the obligations that accompanied trading agreements (multilateral, bilateral, plurilateral) with the aim of promoting investment and trade.

- h) Analyze the need for financial support to achieve the change in policies and institutional reorganization and the risk that administrative deficiencies would be transformed into barriers to trade.
- i) Study the role of regional cooperation vis a vis economic liberalization and commercial integration.
- j) Promote through interdisciplinary and interinstitutional contacts a greater awareness of the need to advance along the road to technological change, the promotion of access to knowledge and information and the role of the academic world.
- k) Reinforce the analysis of services as a pivot of the development and expansion of trade.

More concretely, discussion centered around how, as a follow-up to the present project and with the purpose of paying attention to the needs and concerns expressed in the meeting, it would be possible to conduct activities in three complementary areas : research, training and institutional support.

a) **Research**

It was suggested that as a matter of priority there should be put in place an up-to-date database on trade information capable of being disseminated on an electronic medium or electronically through existing networks. In particular it was suggested that attention should be placed on filling gaps in information, both in terms of disaggregation, consistency and coverage of adequate time series (a sufficient number of years and regular updating) for the Caribbean subregion. In this regard the role of the countries supplying the information was noted.

With these databases, it would be possible to advance in various aspects which were considered as being of great interest in the meeting:

- i) The comparison of nominal levels of protection between the different schemes -specifically the CACM, CARICOM, MERCOSUR, the Andean Community- and the exploration of the possibility of analyzing the effective protection through the SPAN program;
- ii) The composition of trade and the analysis of the factors explaining its variation (decomposition of trade) through the MAGIC program which used the methodology of market share analysis. This seemed to be specially necessary for the countries of the Caribbean Basin (i.e. CARICOM, Dominican Republic and Haiti with respect to the North American market (United States, Canada and Mexico).

- iii) Analysis of the determinants of competitiveness, using both the CAN program developed by ECLAC, and following the studies that are being done through the use of econometric models of partial equilibrium in the case of the Central American countries.

The lack of information and knowledge was emphasized as a formidable barrier to trade, and as such it was considered important to make use of an up-to-date version of trade procedures guides, especially in the case of the Caribbean countries. Given that the Office in Port of Spain had done this type of analysis in the past and that the guides had continued to be produced for the member countries of CARICOM through the Caribbean Export Development Agency (CEDA) it was estimated that its compilation and translation into Spanish would not require greater resources. In the case of the Latin American countries, such information was in general produced by their national promotion offices and would be obtainable from the integration secretariat or from the direct national sources.

In the light of the presentations of the studies on conditions of access in the case of services for certain sectors in Central America and the Dominican Republic, it was considered to be necessary, taking advantage of the same methodology, to conduct a similar exercise for the Caribbean countries at present not covered, especially those in CARICOM, with a differentiated analysis for the members of the Organization of Eastern Caribbean States (OECS).

b) Training and dissemination

As a means of improving the technical capacity of the national and regional teams, activities should be carried to promote mutual knowledge among persons responsible for the negotiations. Specifically it was considered necessary to conduct joint seminars of negotiators, in particular of Central America and the Caribbean in order to share experiences with their counterparts in the rest of the hemisphere and among themselves on crucial topics, to be agreed on jointly. The selection of subject matter for such meetings would maintain close relationship to the multilateral hemispheric agenda and the special interests of each subregion. Among the interests that seem to be of greatest concern are the analysis of dumping and the application of anti-dumping and compensatory measures, competition policies, services, the environment and conditions of work.

An additional aspect that was assigned importance was the promotion of technical interchange meetings on areas of mutual interest among the subregional integration secretariats. For example a seminar on the processes of institutional reform on which almost all were embarked and the new institutional modalities that are appearing as a consequence of the deepening and widening of those processes in the context of a search for operational effectiveness. The usefulness of a comparative analysis of the present cases in the Andean Community, as a replacement for the former institutionality of the Board of the Cartagena Agreement, the Central American Integration System and the formation of a new regional institutionality for the new integration agenda which is tending towards economic and political union of the Isthmus, the CARICOM Secretariat in the face of the eventual constitution of a

single market and economy and the step by step construction of a functional institutionality in the MERCOSUR.

c) **Institutional support**

Much interest was expressed, especially by countries of the Central American subregion to rely on support for the training of national technical teams for the growing tasks not only of negotiation, but also of implementation, follow-up, administration and periodic evaluation of the accomplishment and benefit from the regional, subregional, multilateral and plurilateral free trade agreements.

It was recommended that the ECLAC interregional team prepare some concrete project proposals to be presented to the Government of the Netherlands and other potential donors as well as to have the issue of intersubregional cooperation and integration reflected in the overall work programme of the Commission.

ANNEXES



ANNEX I**STATEMENT OF HON. JOSEPH THEODORE, MINISTER OF FOREIGN AFFAIRS
OF THE REPUBLIC OF TRINIDAD AND TOBAGO AT THE INAUGURATION OF
THE SEMINAR**

On behalf of the Government of Trinidad and Tobago, I am pleased to welcome you to this Seminar on Intra-regional Trade and Investment in Latin America and the Caribbean. It is my understanding that this seminar represents the culmination of a project funded by the Government of the Netherlands, which ECLAC has been executing since March 1995 with the active collaborative participation of its Headquarters in Santiago, Chile and its subregional offices for the Caribbean and Central America in Trinidad and Tobago and Mexico respectively. I wish to take this opportunity to indicate my Government's gratitude to the Government of the Netherlands for its foresight in recognizing the importance of this project and for its agreement to fund it.

I have noted that a number of activities have been undertaken under this project with the aim of measuring the existing levels of external trade and investment between Latin America and Caribbean countries, as well on an intra-regional basis. It would seem from the results of some of these undertakings, that there is much scope for increasing trade as well as investment between the countries of the wider region. It has been shown that, apart from involving only a few member countries, a relatively low level of trade was achieved and mainly with respect to a narrow band of items comprising some manufactured goods, foods, live animals, fuels and machinery.

Whatever the reasons proffered for these trading deficiencies, this unsatisfying situation, coupled with the inexorable move towards globalization and liberalization of the world economy, present us in the region with an enormous challenge requiring the immediate adoption of a number of measures.

To this end, I am happy to state that the Caribbean Community (CARICOM) has set itself an agenda of consolidating into a single market and economy. This was initiated in 1992, when the Member States agreed to reduce the Common External Tariff (CET) over a period of time from a maximum level of 45% to rates ranging generally from 5 to 20%. Following this, certain mechanisms have been put in place to undertake a revision of the Treaty of Chaguaramas through the introduction of several new protocols. This process is expected to be completed by 1999 - the target date for achieving the introduction of the major policies and measures establishing the Single Market and Economy.

Another important feature of CARICOM's economic philosophy has been the widening of the grouping itself and the development of closer economic and trade relations with Latin

America. In this regard, two countries -Suriname and Haiti- have recently assumed full membership of the Community, while negotiations began earlier this year with a view to concluding free trade agreements between CARICOM and the Dominican Republic, the Andean Group and the Central American Common Market (CACM).

It is considered that a larger economic space encompassing the integration of production systems, external trade and economic policy, as well as the merger of financial systems would more closely assimilate those conditions that create genuine investor interest.

At the national level, the Government of Trinidad and Tobago, in recognition of the need to integrate Trinidad and Tobago into the global economy, has adopted a trade policy based on export-led growth and market access. In recent years, our trade reform programme has emphasized enhanced productive efficiency and international competitiveness. We in government view the private sector as essential to the development process and are accordingly working closely with that sector to bring into being the type of economic environment, that is more attractive to business activity. Further, in an attempt to address the complexities of the international economic environment and to prepare ourselves for participation in the varied economic negotiations that are currently taking place, the Government has established a National Negotiating Team on International Economic Negotiations, whose membership is wide in scope and covers all sectors of civil society. Its main task is to prepare for the effective participation by Trinidad and Tobago in international economic negotiations at the bilateral, region and multilateral levels.

Investment promotion has also been regarded as an important pillar of my Government's national economic policy, in light of which we have sought to implement several measures which would ease the process of entry of foreign investors to Trinidad and Tobago. At the same time, new regulatory, institutional and legal frameworks have been developed to facilitate the investment process in general and foreign investment in particular. The negotiation of bilateral investment promotion and protection agreements, double taxation and protection of Intellectual Property Rights Agreements forms part of my Government's strategy in this regard.

It is my belief, Ladies and Gentlemen, that the promotion of intra-regional trade and investment is as much a matter of becoming more comfortable with each other, sharing in and appreciating each other's culture as it is in the establishment of relationships that will lay the foundation for investment opportunities. To this extent, I endorse the role that ECLAC continues to play in this area.

Madame Chairperson, I look forward to the deliberation over the next two days. I am confident that, guided by our common goals and objectives, we will be able, through these important discussions, to continue to forge links based on mutual understanding, trust and a genuine willingness to work together that will continue long after this seminar has ended.

To our guests from overseas who have traveled to participate in these deliberations, I do hope that you have a pleasant stay in our twin-island Republic and that you would be able to

have some time from your busy schedule to enjoy some of our warm hospitality. I wish you a successful Seminar and I have no doubt that at its conclusion, an important contribution would have been made to the determinant of how we do business together in the future.

Thank you Ladies and Gentlemen.

ANNEX II

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ANNEX III

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