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Newsletter of the Caribbean Development and Cooperation Committee (CDCC)

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In 1975, the Economic Commission for Latin America and the Caribbean (ECLAC) – then known as ECLA – established the Caribbean Development and Cooperation Committee (CDCC) as a permanent subsidiary body at the governmental level. ECLAC provides secretarial services to the CDCC acting principally through its Subregional Headquarters for the Caribbean.

The CDCC functions as an intergovernmental organization that meets annually at the technical level and every other year at the ministerial level. Its operational activities are carried out under the regular ECLAC work programme in the Caribbean, which includes economic and development planning, demography, economic surveys, the environment, international trade and trade-in-service, information for development, sustainable development of small island developing states, science and technology, women in development, tourism, training, and assistance with the management of national economies.

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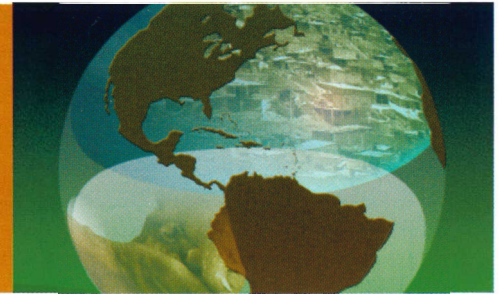
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FREEING THE AMERICAS OF POVERTY AND HUNGER

Presentation by His Excellency Bharrat Jagdeo, President of the Republic of Guyana to the, XIX Summit of the Rio Group Georgetown, Guyana, 2-3 March 2007



Introduction

Over the past twenty years of its existence the Rio Group has been an important forum for dialogue and consultation among countries of Latin America and the Caribbean and between the Latin American and Caribbean (LAC) region and other regions of the World. In the past, Heads of Government have expressed a strong commitment to the creation of the necessary mechanisms and infrastructure for the promotion of trade and economic and cultural cooperation. As the Group's very origin has determined, it remains vigilant against the continued proliferation of threats to hemispheric peace and stability. At the international level, it continues to promote the agendas for peace and development with the aim of creating a truly global partnership based on equity and social justice.

Our communities, particularly the weakest and most vulnerable, must be

protected from the plagues of poverty, disease, hunger and crime, which continue to be a burden to our societies and a constraint to the ability of the people of the region in fulfilling their development potential.

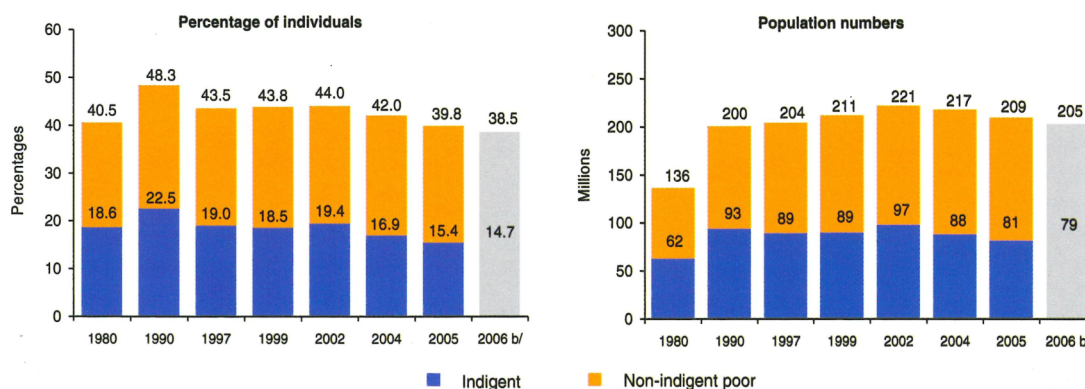
Poverty and Hunger

In Latin America and the Caribbean today, 209 million people or 39.8% of the region's population are living in poverty. Eighty-one million of these or 15.4% of the region's population are extremely poor or indigent¹. For the first time in 25 years, the incidence of poverty is similar to the pre-debt crisis figures of the 1980's, representing 70 million additional inhabitants due to demographic growth. Even though the levels of food production currently triple the energy requirements of the population, there are 53 million people who are without access to sufficient food; 7% of the children under age five have low weight for age; and 16% have a low height-age ratio². In 2004, 96 million people did not have enough income to

buy a basic food basket. Low birth weight (LBW) increases the risk of death in infancy and of malnutrition throughout the life cycle. It negatively affects the physical and intellectual development of children and reduces the ability to learn and to work in adulthood. Among women, low birth weight increases the probability of reproducing this phenomenon in subsequent generations. In LAC, the percentage of LBW reaches 9%³ as compared to 6.4% in Europe, 14.3% in Africa, and in Asia 18.3⁴. The relatively low 9% average for LAC countries, masks the high rates found in countries such as Honduras (14%), Ecuador (16%), and particularly, in Haiti (21%) and Trinidad and Tobago (23%). These last two countries surpass the levels found in Asia and Sub Saharan Africa⁵.

Inequality in Latin America is not only greater than in the other regions, but it also remained unchanged in the 1990's, then took a turn for the worse at the start of the current decade. The average Gini coefficient measures a high level

LATIN AMERICA: TRENDS IN POVERTY AND INDIGENCE, 1980-2006 a/



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

a/ Estimates for 18 countries of the region plus Haiti. The figures shown on the orange section of the bars represent the percentage and total number of poor (indigents plus non-indigent poor).

b/ Projections

¹ECLAC Social Panorama of Latin America 2005.

²Global estimates for the prevalence and number of underweight and stunted children in Africa and Asia and Latin America taken from the WHO Global Database on Child Growth 1992 suggests the following: for Africa, underweight: 27.4% (31.6 million); stunted - 38.6% (44.6 million); Asia underweight - 42.0% (154 million); stunted 47.1% (172 million); Latin America - underweight - 11.9% (6.5 million); stunted - 22.2% (12.1 million).

³ECLAC (2007).

⁴Figures for LBW for Asia, Africa and Europe are taken from Low Birth weight: Country, regional and global estimates produced by WHO and UNICEF with 2000 data.

⁵ECLAC 2007

of inequality for Latin America and the Caribbean of 50.5, for Africa 47.1; and for Asia 35.6. The minimum in Latin America and the Caribbean was 39 represented for Barbados; for Africa 38 represented by Madagascar; and 23 for Asia represented by Japan. The maximum Gini was 60 for Latin America represented by Columbia, 66 for Africa represented by Lesotho; and 54 for Asia represented by Papua New Guinea⁶.

Between 1998-1999 and 2003-2005, Brazil, El Salvador, Paraguay and Peru showed appreciable decreases in this indicator of between 4% and 7% in this indicator. Honduras was the only country to post a strong rise in the Gini coefficient Levels of Inequality.

A very relevant characteristic of malnutrition in LAC is the disparity showed among populations, which is another indicator of inequality. This prevalence, regarding different indicators, is not homogeneous between nor within countries, with significantly higher levels of vulnerability among indigenous, rural, poor and low education populations. A key factor in malnourishment is the vulnerability caused by the mothers' educational level. In the Andean countries underweight prevalence of children under five years of age is 30% to 40% lower for those whose mother had primary education when compared to those whose mother had no education.

On the basis of advances recorded between 1991 and 2006, a large group of Latin American countries have a high probability of meeting the first target of the Millennium Development Goals (MDGs), which is to halve, between 1990 and 2015, the proportion of people living in extreme poverty. The Caribbean may be in jeopardy of realizing the first target because of the threat of frequent natural disasters – such as hurricanes, flooding, storms and volcanic eruptions – or exogenous economic shocks – such as an increase in oil prices – as these have a disproportionate impact on the poor and those with incomes that are barely above the poverty line.

Latin America and the Caribbean is not a homogenous region. There are many differences with regard to size,

human resources, degree of industrial and technological development, and geographical circumstances. These asymmetries must be taken into account as we work together to meet the challenges facing the region.

Leaders of Latin America and the Caribbean must recommit to achieving sustained economic growth, particularly when this translates into more and better jobs for the poor, as a necessary condition for poverty reduction and to end hunger and malnutrition. But leaders must be aware that because poverty is multi-dimensional and multi-causal, growth alone cannot overcome the range of structural factors that drive its intergenerational reproduction.

Children



Forty-one million children 12 years and under in Latin America and the Caribbean live in extreme poverty.

Indeed, 2 of every 5 persons in the category of extremely poor are children. Furthermore, the indigent comprise 15 million adolescents. Their rights, as established in the Convention on the Rights of the Child, are gravely threatened by the condition of poverty. The attainment of many of the Millennium Development Goals in the region will be next to impossible without a good start in life for the region's children.

The region is well on track to reducing infant mortality to one-third of its 1990 level (MDG 4). As with other MDGs, this overall progress masks the persistence of structural problems in certain socio-economic strata of the population – for example, infant mortality among indigenous people which is twice the national average.

Guaranteeing the Rights of the Child means ensuring that all babies are registered at birth, have access to good health care, adequate nutrition, potable water and safe sanitation. It also means laying the foundation for learning and school achievement, and protecting them against violence, abuse, abandonment, exploitation and discrimination. In Latin America and the Caribbean, almost 90% of babies are registered at birth though the number is much lower in rural areas. Although vaccine programs have been quite successful, 80 million children under 5 in the region do not complete them. Over 50,000 children in the region are infected with HIV/AIDS.

A particularly worrying statistic is that Latin America and the Caribbean has the highest percentage in the world of babies who are born to teenage mothers. There are 76 births per 10,000 girls between 15 and 19 years of age, which is slightly less than in Africa, but on that continent infant mortality takes a higher toll. This situation entails great risks for the health of mother and child as well as for the educational and work prospects of both.

Education

Education is a fundamental human right and a cornerstone of democratic and prosperous societies. Education of children and adults alike is crucial for ending the transmission of poverty from one generation to the next. Millennium Development Goal number 2, to be achieved by 2015, aims for all children to complete a full course of primary education. Since this goal does not pose a challenge to most of Latin America and the Caribbean, governments of the region have agreed to more ambitious goals, such as achieving universal access to pre-primary education; increasing the coverage of secondary education; and eradicating adult illiteracy⁷.

⁶Comparative inequality figures drawn from the paper "Is inequality in Africa really different?" by Branko Milanovic for the World Bank, Development Research Group, May 2003. In this paper when Milanovic speaks of Africa he is speaking of sub-Saharan Africa.

⁷ECLAC-UNESCO, 2005

More recently, the attention has also focused on improving the quality of the educational systems, measured by achievements. Excellence of tertiary education is also critical in this regard. The duality in the quality of education for rich and poor should be redressed.



Pre-primary education currently covers 70% of children between 3 and 5 years of age in the Caribbean and 42.5% in Latin America. Full coverage would boost life-long educational achievements and improve social integration.

Most children in the relevant age group in the region are enrolled in secondary education (72%) but many do not complete the full course of schooling, especially those from poor families. It has been calculated that on average 9-12 years of formal education is a minimum in Latin America for people to have a fair chance to get out of poverty. Regarding adult illiteracy, 36 million people in the region are declared not to have basic reading and writing skills, which greatly hampers their social inclusion and success on the labour market.

Furthermore, it is critical to improve the quality of education. Data from standardized international tests reveal important gaps in student achievements between those from Latin America and the Caribbean and students from developed countries. Test results are also strongly related to socio-economic background of students. The efforts to improve the quality of education systems should be guided by the principles of relevance of skills and competencies to modern societies; pertinence to the specific social and cultural context of the students and their characteristics; and equity in ensuring the right to education for all.

Leaders of Latin America and the Caribbean should commit to achieving quality education for all inhabitants of the region. This comprises four dimensions:

- (i) access and successful completion of school cycles, from preschool to tertiary education;
- (ii) ensuring minimum learning outcomes at all levels for students from all backgrounds;
- (iii) ensuring educational opportunities for all, based on merit and achievement; and
- (iv) optimizing economic resources for education and safeguarding them from financial crises.

Health

Overall, the countries of Latin America and the Caribbean have made good progress in attaining several of the relevant goals, in particular regarding infant mortality and life expectancy at birth. In others, such as those related to the prevalence of malaria and tuberculosis, the situation remains unchanged compared to a decade ago. The latter disease is related to the spread of HIV/AIDS. Across the board, however, a critical issue is the inequality in access to and use of health services and the attainment of health outcomes between different socio-economic groups.

One hundred million inhabitants of LAC lack access to basic health services. Two hundred and twenty million do not have any form of health insurance. This type of exclusion from the right to health is directly related to poverty and marginalization. For example, 9.5% of the population of Latin America and the Caribbean over 15 years of age is illiterate and many of them are women. This strongly influences the health of mothers and children, as witnessed by the fact that the lack of perinatal and neonatal attention is the prime cause of death for children in their first year and first month, respectively.

The leaders of Latin America and the Caribbean gathered in the Rio Group meeting in Guyana reaffirm their commitment to a Health Agenda for the Americas as currently discussed by member states of PAHO/WHO. This

will include, in a central manner, the following six objectives, namely to:

- Reduce the inequalities in health outcomes and access to basic services across socio-economic strata in the population;
- Make significant headway in expanding the coverage of health insurance;
- Foster an increase in the level of spending, public and private combined, on health services as well as on investment in infrastructure of potable water and sanitation;
- Reorient strategic priorities in favor of primary health care;
- Strengthen public health infrastructure and;
- Promote coordination among different authorities as well as with civil society and community organizations.

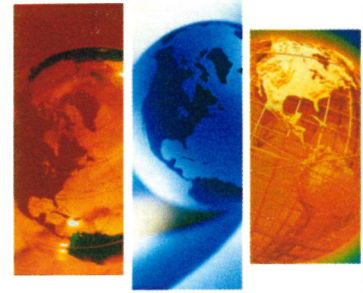
Conclusions

The active participation of the State is necessary through the implementation of social programmes and policies as well as labour market policies oriented towards poverty reduction. Actions required fall in the following categories:

1. **Implementation of social programmes and policies** that merge long term measures including support for human and social capital formation to help families overcome the determinants of structural poverty, with short term assistance to protect against transitory shocks;
2. **Establishment of labour market policies** that will contribute to increase the demand for labour by employers, improving the reliability of the labour supply and improving the quality and efficiency of the match of workers to jobs and training;
3. **Development of long term social policies** aimed at increasing equity and guaranteeing inclusion especially by the creation of a conducive, stable economic growth that generates sufficient quality jobs and a favourable environment for small business development and a reduction in the internal dualism of productive sectors to reduce productivity gaps between the various economic activities and productive agents; ►

(continued on page 17)

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.

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. 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 finance¹.

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 policies². 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.

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 countries³. Small countries are severely challenged by the wide-ranging and technically complex demands of a multiplicity of international trade negotiations⁴, 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 volatility⁵. 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.

¹On this, see the excellent report by ECLAC, *Globalisation and Development* (2002).

²For 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.

³See 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.

⁴Many small countries cannot afford to maintain an office in Geneva; most have very small missions burdened with a multiplicity of meetings

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.

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 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 trade liberalization. However, while some progress continues to be recorded in deepening regional integration processes, 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 constraints of size. 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 factor⁶. 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 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. 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 widened⁷. 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.

⁵See 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

⁶As 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.

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 organizations⁸.

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. 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 provisions⁹ 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.

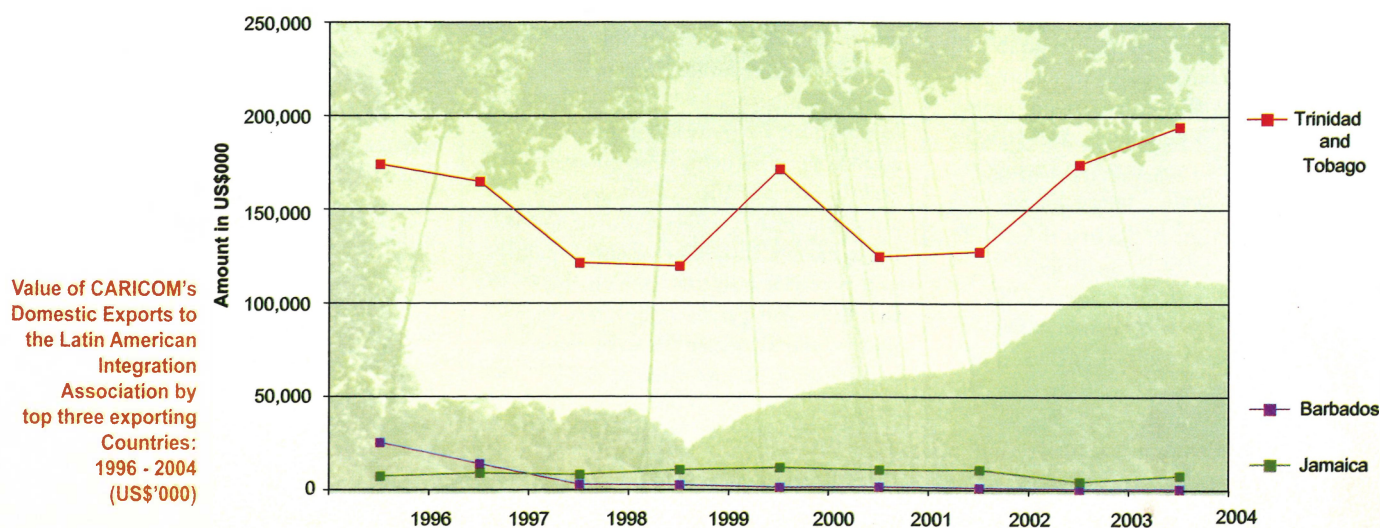
CARICOM firms report that a major problem in exporting to Latin American markets is lack of information. Sanitary and phyto-sanitary (SPS) regulations, tariffs and other duties, customs procedures, transport and storage facilities, requirements for product registration, and the identity of potential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

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)¹⁰ 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. ▶

(continued on page 22)



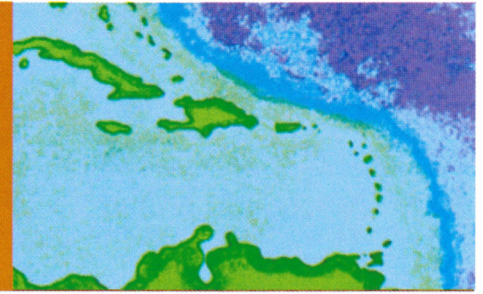
⁷This divergence may be due to other factors, including fiscal imbalance, balance of payments constraints and negative net resource transfers from abroad in those countries that exhibited low growth

⁸The 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.

⁹i.e. Colombia and Venezuela

¹⁰The SIDS grouping includes the Dominican Republic and all of the CARICOM insular States, which are represented in the Rio Group by Guyana.

IS LEWIS' MODEL OF ANY RELEVANCE TO THE CARIBBEAN OF TODAY?



A fifty year span provides a good run of time to see a policy model in operation and assess how far it matches real world conditions. Indeed, this real world test of theory is the scientific imperative for validity. This piece provides a brief analysis of the Lewis model in the Caribbean setting some fifty-odd years after its exposition. Lewis' seminal piece in his 1954 article was to revolutionise thinking on how developing countries develop, in the mode of Keynes' impact on neoclassical macroeconomics. With his usual sharp insight into theory and practice, Lewis recognised that neither the neoclassical assumption of full employment and perfect competition, nor the Keynesian paradigm of unemployment of both capital and labour were relevant to developing countries with surplus labour. In effect, the development problem of developing countries demanded a new paradigm rooted in their specific economic evolution and history.

Interestingly, but with a tinge of irony, Lewis saw the solution in a modified classical model of unlimited supply of labour at a subsistence wage and economic dualism. Lewis assumed that the marginal productivity of labour in the subsistence sector was at or near zero. Therefore, unlike for the classicals, subsistence labour is not paid its marginal product, but a minimum required for subsistence equal to its average product plus a margin. Capital is formed out of profits to capitalists and also by credit creation, though the former is more viable, since the latter tends to be inflationary. How then does growth and transformation take place? Lewis clearly saw capitalist surplus/profit as the motor of economic transformation. Once established, the capitalist sector would grow dynamically by reinvesting its surplus. This surplus would grow as the capitalist sector absorbs surplus labour from

the subsistence sector and raise labour productivity by technological change and innovation. Importantly, as long as capitalist profit was invested, and there was no shortage of natural resources to combine labour and capital, the rate of profit in the capitalist sector would continue to grow.

The absolute constraint on the growth and accumulation in the closed economy would come when the pool of surplus labour in the subsistence sector is exhausted leading to higher wages in this sector. This pushes up wages in the capitalist sector also and reduces profits, thereby slowing down the engine of growth. Eventually, the process of structural change reaches a point where labour scarcity leads to both wages and profits reflecting marginal productivity.

In the classical tradition, Lewis had opined that "the central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing 4 or 5 per cent of its national income or less, converts itself into an economy where voluntary saving is running at about 12 to 15 per cent of national income or more".

In Lewis' arithmetic the saving that would catalyse growth would come from capitalist profits gained from an excess of output over relatively low wages.

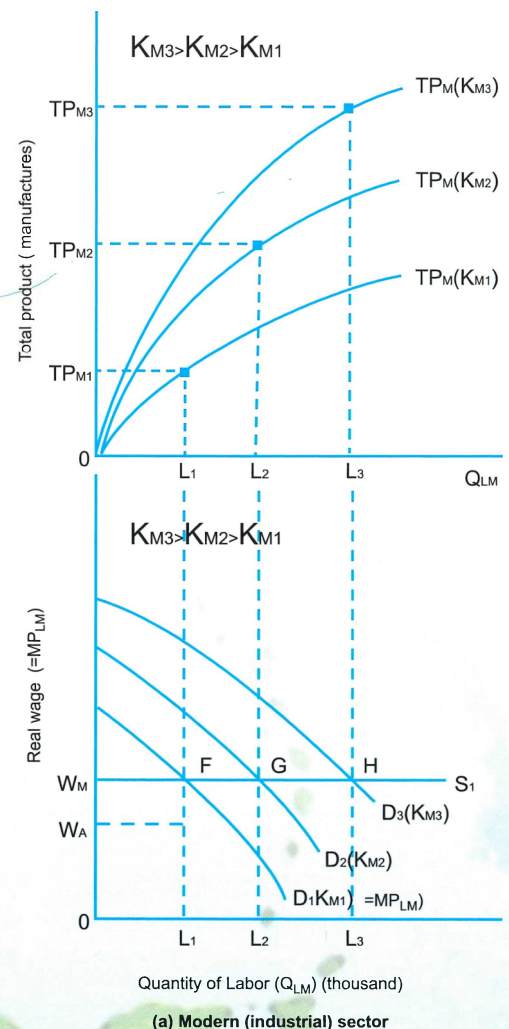
In his closed economy model Lewis implied that growth and structural transformation could take place in countries with surplus labour such as the Caribbean and India, by increasing accumulation in the capitalist sector (usually industry) and raising productivity and wage levels in the traditional sector (usually agriculture). Indeed, in his 1950 article¹, Lewis noted that "if agriculture is to give a higher standard of living, then industry must be developed. But equally, if

industry is to be developed, then agriculture must give a higher standard of living, in order to provide the demand for manufactures."

This balanced growth strategy that entails both effective diversification and economic transformation would be a radical departure from colonial monoculture.

Paradoxically, it is in his open economy model that Lewis really started to grapple with the essential process of

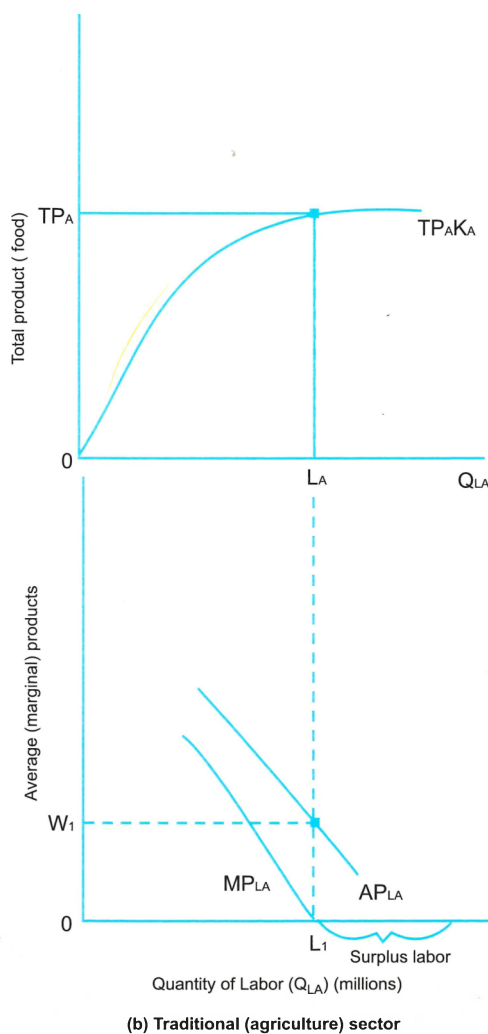
The Lewis Model of Modern Sector Growth in a Two Sector Surplus-Labor



¹See "The Industrialization of the British West Indies," Caribbean Economic Review, Vol.2, No.1, May, pp.1-61.

change required in the West Indies. In this model, Lewis sought to analyse what determines the terms of trade between developed and underdeveloped economies. He notes that a labour surplus, capital importing country can only improve its terms of trade with a capital exporting labour scarce economy by productivity increases in its subsistence sector. In effect, efficiency gains in other sectors such as manufacturing are captured by the capital exporting developed countries as lower prices because of the low costs of production arising from production using abundant labour in the labour surplus economy.

The Lewis Model of Modern Sector Growth in a Two Sector Surplus-Labor



Lewis noted that this is clearly indicated in the case of sugar, where significant increases in productivity in the Caribbean over time has not led to commensurate increases in wages and living standards for sugar workers, but have accrued as lower priced sugar to sugar importing developed countries. Lewis therefore, highlighted the need for a simultaneous agrarian and industrial revolution in labour surplus economies, the former to increase the productivity and living standards of workers and also to create demand for manufactured goods the latter to absorb surplus labour from the agricultural sector, to diversify the economy and provide a platform for competitive exports.

Critically, unlike Ricardo and the other classical economists, Lewis recognised that specialisation of Caribbean countries in low cost primary production based on comparative advantage, would lead to structurally worsening terms of trade and relatively low living standards.

Therefore, the usual export-led growth model might not suffice to lift these countries out of poverty, but agricultural and industrial transformation might have to be promoted by protection. Unfortunately, Lewis did not fully develop the open economy model and the implications of this part of the model have been missed by many commentators on his work.

Criticisms of the Lewis Model

The model has been subjected to a number of criticisms, some relevant and others irrelevant and many anticipated by Lewis himself. Some critics have tried to over-turn the model based on unreality of its assumptions, arguing especially that zero or near zero marginal product of labour in the subsistence sector does not match the real world. However, Lewis anticipated this and noted that with 'disguised unemployment' in the subsistence sector, the assumption of zero

marginal product is not really necessary for the model, all that is required is that the marginal product is quite low and lower than in the capitalist sector.

Critics also noted that the real wages could start to rise before the turning point in capital accumulation and growth is reached. This could result from trade union pressure, growth in productivity in the subsistence sector and government minimum wage laws. However, Lewis also acknowledged this possibility.

The major problem with Lewis' model is the limited role it assigned to the demand side.

The model assumed that once the savings constraint is overcome, higher and higher levels of investment will be forthcoming to stoke the engine of growth and accumulation and employment of labour. Keynes was clearly on to something when he noted the role of animal spirits in investment demand, implying that capitalist savings might not call forth increased levels of investment. Moreover, if the capitalist sector's investment as a ratio of its output remains constant, the growing investment required to absorb surplus subsistence labour might not materialise and Lewis 'take-off' might not occur. Further, given the boom, bust cycles in the Caribbean, there are indications that investment responds to growth in activity, in the first round and then picks up thereafter, somewhat in the mode of the Keynesian accelerator. In such a case it is the initial commodity boom that pulls up domestic investment and not capitalist savings.

Implications for and relevance of the Lewis model for the Caribbean today

The fact that the Lewis model is still much debated today attests to belief in its relevance for region today, even if this is a matter of degree. As Kirpatrick and Barrientos² note, "the continuing salience of Sir Arthur Lewis's 'Economic Development with Unlimited Supplies of Labour' is a lasting testimony to the author's extraordinary ability to combine theory and history in a coherent framework

²See Kirpatrick, Colin and Barrientos, Armando. (2004), "The Lewis Model After Fifty Years", Development Economics and Public Policy, Working Paper Series, Institute for Development Policy and Management, University of Manchester.

which can aid our understanding of the problems of underdevelopment’.

A number of economists, including Best and St. Cyr have criticised Lewis’s industrialisation strategy as flawed. However, although these writers had insight into important constraints in the functioning of the model, there was some misinterpretation of Lewis. Lewis’s open economy model clearly called for transformation and productivity growth in the agricultural sector along with industrialisation. Moreover, Lewis clearly advocated the use of domestic inputs in industry both to raise value added in other sectors and increase demand for agricultural and other products. Given the CARICOM food import bill of over US\$1.5 billion for a population of just around 6 million, there can be no clearer justification for raising food productivity and working to change preferences to encourage greater consumption of local food supplies.

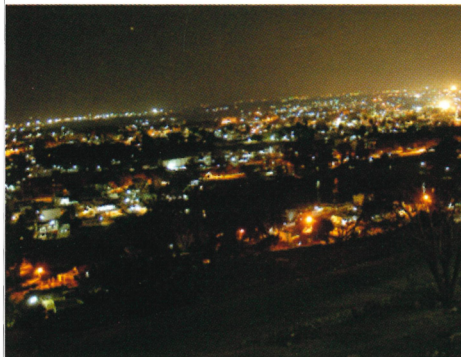
Where St. Cyr and Best seem to have gotten it right is in their insight into the cultural and institutional constraints that might prevent the capitalist class from using the surplus for production rather than consumption and also in the type of firm that is required to effect the transformation.

As St. Cyr noted recently³, the region needs autonomous onshore firms that earn their own foreign exchange by using indigenous technology to produce unique products that can penetrate overseas markets. In his faith in the classical tradition, Lewis probably did not see that the reactive capitalist class in the region with its foreign tastes and preferences might not have been willing to meet St. Cyr’s important requirement.

Another instructive aspect of the model for us today is the crucial role it assigned to domestic savings and investment as a driver of sustainable and equitable growth and development. For too long Caribbean countries have been relying on external savings and investment to

catalyse growth in commodities and services such as tourism. Although external investment is an important complement to domestic investment, it should not be the driver. Moreover, the employment elasticity of most FDI in the region with the exception of tourism tends to be low leading to large scale projects, but little direct employment. Lewis clearly saw the need for a more labour intensive form of manufacturing complemented by other sectors that could help solve the unemployment problem in the region. In addition, the repatriation of profits from FDI means that in some sectors, the region might not be a net recipient of capital flows.

Critically, Lewis foresaw that a development strategy based solely on labour intensive manufacturing or services such as tourism and informatics is a poor long run growth strategy for the Caribbean, since it simply perpetuates low wage comparative advantage, as a result of the low productivity in the subsistence sector:



In effect, as low cost producers, the benefits of productivity gains are exported to developed countries and not reaped by Caribbean workers. He urged that the region invest in and use technology and innovation to raise productivity and efficiency in agriculture as part of a two-pronged development strategy. Unfortunately, for the most part, Lewis prescription has not been followed in the region and

instead the Caribbean has continued to recycle stagnant comparative advantage in commodity sectors, be they petrochemicals, tourism or light manufacturing. The real challenge of dynamic growth in value added and product innovation has been met in the region.

Conclusion

All in all, it is clear that Lewis with his formidable intellect and insight into theory and practice had telling insights into how the regional economy functioned and what was required for structural transformation and better living standards for the mass of the population. He proposed a model of transformation and growth that if properly analysed and modified to cater for its defects still holds the potential for catalysing the development process in the region. The model underscored the need for balanced growth involving productivity enhancement in agriculture, industry and services.

Importantly, from the standpoint of economic paradigms, Lewis underscored the fact that development is region specific and no one size fits all.



Therefore, although Ricardian in his thinking, he pointed out that comparative advantage might not benefit labour surplus economies. There is a clear need for greater development options for developing countries, such as the Caribbean today than the monism of the neoclassical model. This and the progressive application of his model in the Caribbean would be a fitting tribute to Lewis. ■

³See St. Cyr, Eric (2007), “Modelling the Economy: The Outlook for Trinidad and Tobago Economy, 2007 and Beyond”, Trinidad and Tobago Review, Vol. 29 No. 3, March 5, 2007.

BEYOND ECONOMICS: PERSPECTIVES ON THE DECLINE IN THE WINDWARD ISLANDS BANANA INDUSTRY

by Sandra John



The Problem in brief

The banana industry in the region has declined dramatically in recent years, buffeted by competition from bananas produced in countries of Central and South America. These countries produce bananas at less than half the cost of production in the Caribbean. Bananas in Central America are grown on large farms, where, because of the topography of these countries, a lot of the production process is mechanized and because of the relatively low expectations of the farm workers, wages are generally much lower. A combination of these two factors helps to keep the cost of production down.

Bananas in the Windward Islands are produced by small independent, family owned farms with little or no technology. The Windward Islands are hilly, so production is of necessity labour intensive. Wages are relatively high and rising. The problem is compounded because of the importance of the industry relative to the economy of the Windward Islands.

A report by Britain's Oxfam (1997) suggests that over 60,000 people, one third of the population, depend on the banana industry for employment or income in St Lucia. Similarly 33 percent of Dominica's labour force and

70 percent of St. Vincent's population are directly or indirectly involved in the production and marketing of bananas. These figures may be high, but it underscores the point that the banana industry is essential to the continued viability of the economies of the Windward Islands and to the livelihood of the people.

From its inception, the banana industry was protected by means of preferential access to European markets, especially the British market, but for a variety of reasons, these preferences are being eroded. The industry simply cannot stand on its own.

More than a source of income

The banana industry in the Caribbean represented much more than a source of income for the people who were involved in it. It represented good quality homes, sound vehicles, vacations, higher education for their children, and savings for a rainy day. It also represented the intangibles – pride, confidence and, freedom from financial worry.

It was a way of life. It represented structure. One day every week the routine of life changed because that was banana day. The traffic pattern changed. You would hear, "Be careful on the road! It's banana day!" In the old days, buses that would otherwise be used to

transport passengers had their seats removed and were deployed in the service of transporting bananas. It was always more difficult to get transportation on "Banana Day"!

It represented industry – it was not just agriculture, but agribusiness – having spawned the investment in boxing plants - These boxes had to be manufactured. It represented a commitment to excellence. The fruit had to be - not too young, not too full. It had to be just right and unblemished, or the farmer would suffer the indignity of having some of his fruit "rejected". Having too many fruit rejected was a personal affront, almost a stain on your character!

The banana industry represented food - Many a "rejected" banana found its way into family meals in various appetizing forms.

It represented stability - a comfort zone. The market was sure, guaranteed. The farmer sheltered in the certainty that once he did his part - produced quality fruit, his economic well being and that of his family, would be assured. No wonder the decline has been so devastating to the economy of countries where people depended so heavily on the banana industry for their livelihood. From personal experience, I know that for many of the people who depended

A study by David Nii Addy of the International Labour Organization entitled: "*Restructuring and the loss of preferences: labour challenges for the Caribbean Banana Industry*" notes that 52.7 percent of the total exports from the Windward Islands in 1990 were attributable to bananas. By 1997 that figure had declined to 43%, but the dependence was still considerable.

Economic Contribution of Banana Production to the Windward Islands in 1997

% of domestic exports	43%
% of gross domestic product	21%
% of foreign exchange earnings	9.4%

exclusively on the banana industry for survival, their standard of living has been affected, negatively, and quite dramatically by this abrupt reversal in fortunes.

Because one thing that the banana industry did not represent for the independent farmer was "independence"! The industry existed at the whim and to some extent, through the largesse of the purchaser. It is a dangerous thing to depend for your very existence on an item that is of so little strategic value, so peripheral to the needs of your customers - an item that the customers can easily do without.

Creating the dependence

How did this region become so dependent on bananas? What were the circumstances that led to the introduction of the industry in the first place? Might it be that the seeds of the industry's eventual decline were sown right at the beginning?

From an article called "The establishment of the Windward Islands Banana Industry: Commercial Opportunity and Colonial Necessity" by Peter Clegg, I learned that regular shipments of bananas to Europe commenced in 1948. Fruit was shipped to Dublin, Ireland. Initially Dominica was the sole exporter. European importers were looking for a supplier of bananas to replace the Canary Islands because fruit from that source was becoming increasingly expensive and hard to come by following the reopening of the European markets after the Second World War. At that time Caribbean economies were under severe pressure with other traditional agricultural crops - sugar, nutmeg, cotton, and arrowroot declining for various reasons.

For the Caribbean the previous decade was a time of significant unrest which took the form of organized worker demonstrations for better working conditions led in the various islands by champions of the workers - leaders whose names have become familiar to us all - Marryshow in Grenada; McIntosh;

in St. Vincent; Butler in Trinidad, for example. Unrest in the colonies was Britain's problem! The Colonial Office appointed the Moyne Commission to come up with recommendations on how to improve economic conditions in the Caribbean. One of the recommendations of the Moyne commission was citrus growing, but the real demand in Europe was for bananas. So the industry started somewhat shakily, without the blessing of the British government, with Dominica the sole supplier initially, but when it became evident that the country did not have the capacity to produce enough fruit to make regular shipments a viable proposition, St Lucia joined in. A few years later (around 1953) St Vincent and Grenada joined the group.

The industry became really viable when John Van Geest entered the picture and made a commitment to purchase, ship, and distribute all the fruit that could be produced in these islands. Thus began a very profitable partnership for all concerned. The industry was protected from the start since "colonial" bananas entered the British market duty free. Imports from non-colonies attracted import duty. The farmers were happy with their regular source of income in an industry so regulated and so ordered that minimum initiative was required. The British Government too was happy with this tasty resolution to their problem. The 1960s was in general a good decade for the Caribbean and this prosperity continued for some time.

But the winds of change began to blow when Britain joined the European Community in 1973 after being rejected at least twice, largely because of its agricultural policy; and the Windward Islands became independent effectively ending any obligation (except the obvious moral one) by Britain to offer continued economic protection. The banana industry in the region was under threat from that moment on, and any continuing protection was always going to be both tenuous and temporary.

Understanding the Current Banana Regime

Today the banana industry in the Caribbean has some very powerful adversaries - chief among them being the United States whose self interest lies with the banana producing countries of Latin

America - Ecuador, Columbia, Costa Rica and Guatemala - producers of the "Dollar" bananas, so named because the banana producing countries are largely owned by American conglomerates, attracted to the industry by the abundant supply of cheap labour available in these countries, and powerful enough to affect political decisions in Washington. The industry is not without support, but its friends are less powerful and less influential than its adversaries.

The European Union's proposal to end quotas from Latin America is considered unfair under the rules of the World Trade Organization. The quotas will be replaced by a tariff, suggested at 230 Euros (US\$300.00) per tonne. The Central and South American banana producers have rejected this tariff as being too high and for the Caribbean, the reality is that the tariff is too low.

Conditions for a competitive banana industry in the Windward Islands predicated on the arrangements of the past simply do not exist today. The Caribbean does not have:

- An abundant supply of cheap labour
- Suitable land area for large plantations with mechanized production processes
- A powerful lobbying group
- Significant strategic value in the current global context

Speaking to "Eurofruit" Magazine in March 2005, Bernard Cornibert, Managing Director of Windwards Bananas, likened the struggle to reduce production costs, return a favourable price to banana growers while market prices for the fruit declining to "walking up an escalator that is moving down".

What are the positives then for this beleaguered industry? Some progress has apparently been made in rationalizing ripening and distribution operations. There also appears to be some hope through Fairtrade - a system that rewards the efforts of agricultural producers who

are sensitive to health, environmental, and worker exploitation concerns. The success of the Fairtrade initiative is contingent upon its attracting consumers in sufficient numbers who would knowingly pay more for fruit to support the livelihood of small independent banana producers. Information is that most Windwards bananas are now exported under the Fairtrade label, for which there is a growing market, especially in Britain.

Social Consequences

Patsy Lewis, writing in Caribbean Dialogue in 1998 noted:

"There is the fear throughout the WI that the loss of preferences could mean the industry's collapse, leading to widespread social and economic dislocation arising from the disruption of what has become a primary means of sustaining rural communities. This is in the context of the absence of immediately obvious viable alternatives and of adequate social security programmes."

She continued:

"These fears are captured in the report of a fact finding mission by three European parliamentarians, Glenys Kinnock, Terry Wynn, and David Thomas, on the effect of the WTO ruling on the industry in the WI and Guadeloupe and Martinique. They concluded that an implementation of the WTO Panel Report would result in 'mass poverty, unemployment, and instability in the region', the jeopardising of democracy and good governance in the face of social unrest, and possibly, an acceleration in the production and trade of illicit drugs. Even if these are not the inevitable outcome of a collapse of the industry, there remains the very real fear that the loss of this source of employment and income earning for many in rural communities, may lead to large-scale migration to capitals unable to absorb them, raising the spectre of urban decay and the problems associated with this. The loss of the banana industry in the absence of viable alternatives will, in any event, change the structure of WI societies as they currently exist."

An Oxfam report voiced similar sentiments, but this time in the words of two of the farmers directly affected.

"We are told that the world has changed, that because of the WTO there must be a free market in bananas. But the market should not be so free that it can destroy people's lives".

"If our banana industry collapses, it will mean poverty for many thousands of people. I've been a banana farmer all my life. I have nine children!"

The negative social consequences which are very visible in our region today cannot be attributable entirely to the decline in the banana industry, but the industry has collapsed at a time when the family structure is being severely tested. The marginalization and social displacement of the young male is another issue of real concern. Advances in information and communications technology are creating some employment opportunities even as they rendering other jobs obsolete, but the jobs being created require skills that many young people do not currently have. Couple this with imported expectations, add the scourge of drugs and HIV AIDS and it adds up to a formidable task for our social partners, including our church.

Empowerment through adversity

The reality is that the Caribbean today is a region largely in decline and in the ebb and flow of history this may be a good thing because it must mean that we are poised for a breakthrough in the not too distant future. But for those of us who live in the here and now, it is a very sobering scenario, and it doesn't only have to do with economics. In sport, we have become the sad has-beens of the cricket world. We are even under siege from the wrath of nature itself! Witness the incidence of hurricanes, floods, coastal erosion.

The indulgence and affection that greeted our inefficiencies and our "small is beautiful" quirkiness is no longer there. There is an impatience with and an indifference to the Caribbean now. Some of our once idyllic tourist destinations are red flagged as dangerous and crime ridden. We are derided as an unrealistic people with high expectations and low output. And yes there are several exceptions to this depressing scenario, several pockets of high individual achievement, but the desperation with which we hang on these merely emphasizes how slim the pickings have become. These are some of the unintended consequences of globalization - we are viewed through the same lens as every other region and the picture is not pretty.

Recommendations

The Methodist Church should:

- **Use the goodwill and the historical relationship** which it enjoys with the church in England to promote and encourage British consumers to purchase Windward Islands bananas currently exported under the "Fairtrade" label. Send letters to every Methodist Church in England with this clear message. Once the Methodist effort gets off the ground, spearhead an ecumenical drive in the affected islands to create a groundswell of support in Britain for "Fairtrade". Be sure to involve the media in this campaign. The Church can become a powerful lobbying group for the industry.
- **Organize at the community level, in cooperation with other interest groups**, such as, government, youth groups, NGOs, seminars for young people promoting alternative crops - not only as an alternative to bananas, but more importantly as an alternative to that other illegal cash crop, marijuana, which is cultivated in abundance in some areas once occupied by banana farms. It is important that these seminars stress the business and marketing aspects of this venture.

But the banana industry has taught us nothing if not resilience. Storms sweep through our region annually sometimes with devastating consequences, flattening our banana fields, but a few months later it would seem as though the storm had never passed, because sheltering near the roots of the banana plant would be shoots that would take the place of each plant cut down by the storm.

Some might suggest that the decline in the banana industry is mirrored to some extent by the decline in many of the established churches including our own. It might be instructive to remember that the origin of the banana industry was not unlike the origin of the Methodist Church in the Caribbean, created and shaped by and for a context which has long since disappeared.

The recommendations above are premised on the sincere belief that the church should in its deliberations focus, not on its own decline, but on the declining comforts of the people who look to the church as a source of help and comfort.

I end this presentation with some lines from one of my favorite hymns - and one which I first heard from my father, following a storm which had flattened nearly every banana plant we had:-

Though vine nor fig tree neither - their wonted fruit doth bear

Though all the field should wither - Nor flocks nor herds be there

Yet God the same abiding His praise shall tune my voice

For while in Him confiding I cannot but rejoice

Sometimes, a light surprises the Christian while he sings.

It is the Lord who rises with healing in His wings

When comforts are declining, He grants the soul again

A season of clear shining to cheer it after rain

I have reversed the order of the verses, but you will still recognize the immortal words of William Cowper, who also wrote: "God Moves in a Mysterious Way" a hymn which is perhaps better known. Most Methodists are familiar with the story of that hymn. Amazing, isn't it that such words of comfort should come from one so troubled in his own life! It is reassuring to know that even when comforts are declining, the Church can share a story of hope. ■

Further Reading

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Sandra John, Head of the Caribbean

Knowledge Management Centre describes herself as a child of the banana industry.

Her father was a successful banana farmer and a member of the Banana Growers' Association in St Vincent for many years.

He died on January 21 1991. Some of the information used in the preparation of

this paper came from his diaries. The above is a speech given to the Methodist Church in January 2006, but remains just as relevant one year later.

■ **Actively seek funding for a regional project, involving all the affected islands, to fund activity identified at 2 above.** The Basic Needs Fund of the Caribbean Development Bank; the British Department for International Development (DFID) and the International Development and Research Agency of Canada are some possible sources of funding.

■ **Develop an approach to counseling and pastoring that gives hope** and demonstrates an understanding and appreciation of the plight of persons displaced by the decline in the banana industry - an understanding of just what they have lost. It is not enough to care - this caring has to be demonstrated.

GENDER AND SOCIAL PROTECTION



Social protection defines a wide range of social and economic intervention programmes and policies which are directed at addressing the needs of vulnerable individuals and groups. In essence, social protection interventions aim to provide an enabling environment for the poor and vulnerable to facilitate their participation in the economic, social and political life of their societies.

The introduction of gender as a critical variable in the design and implementation of social protection policies has only recently been addressed and continues to be confined to the reproductive roles that women perform in the care economy, where policies are often limited to the provision of maternity benefits, and health care for maternal and child health.

Despite the fact that Caribbean societies and gender roles have undergone significant transformation during the last three decades, efforts to mainstream gender in public policies remain a challenge.

Gender gaps remain in all areas, but none more glaring than in the area of social protection made more visible by the changes in demographic structures.

Demographics and population

Many aspects of demographic changes in population affect the status of women and men, for example, the demographic trends show that elderly women outnumber elderly men. The impacts of these changes are more noticeable on women because of their responsibility for the care economy/informal sector. However, the care economy is more likely to be unregulated and unsupported. In

addition, there continues to be a lack of equality and the unequal sharing of reproductive work between women and men, therefore the dynamics of family and family relationships are also important for gender.

In the Caribbean, governments have successfully addressed population issues such as birth rates, infant and maternal mortality leading to declining rates of population growth. In some cases the decline in fertility has been rapid, while life expectancy has been increasing particularly amongst females. Governments have used this demographic information to develop policies and programmes to address issues of health, (particularly reproductive health) education, housing and social security, amongst others.

Women and the elderly

Social protection systems in the Caribbean were structured when family and labour functions of men and women were significantly different, however while women remain primary care-takers of the family, they have added many other responsibilities due to demographic changes. Women are heads of households in large numbers because of divorces, death of spouses and in some instances because of choice or other circumstance. The result is that many women are living in poverty because of these circumstances. In addition, their health is diminished – double burden - plus costs of health care; (some state provision for elderly in terms of assistance with medication, but this is not always comprehensive).

While Caribbean women have entered the formal labour force in large numbers, there remain a critical number of social policy issues for gender equality and the social inclusion/provisioning for women. Social protection is one of the remaining barriers to gender equity in

the Caribbean because vulnerabilities to risk vary significantly by gender and there is therefore need to distinguish between constraints men and women experience¹.

It is apparent that women's exclusion from the benefits of social security contrasts significantly with their participation in the economy because of their more recent participation in the formal labour market. In the area of pensions, for example, glaring gender inequalities exist with respect to coverage, and use of actuarial tables to calculate the quantum of women's benefits.

In light of the structural reforms to pensions, there are a number of pertinent questions with respect to the gender aspects of social security that need to be addressed, for example, what kind of pensions do women receive in comparison to men, particularly women unable to provide for old age because reforms have shifted responsibility to individuals for their own coverage? When women divorce, how does this affect their long term income security – (especially when ex-husbands remarry)? What are the social security benefits available to women heads of households?

While much of the gender concerns focus on women and with good reason, elderly men are also cause for concern, because men tend to have less familial companionship in old age and also face their own health concerns, for example, recent health data is revealing that large numbers of elderly men are now affected by HIV/AIDS. Men are also casualties of pay-as-you-go (PAYG), or contributory pension schemes in that many self-employed men have also found themselves outside of the systems – because they did not contribute when employed.

What the available information reports is that there are a number of the key assumptions underlying economic

¹Gender and Social Protection. (2004). Paper by Cecilia Luttrell and Caroline Moser. World Bank

policies: for example, the structuring of the economy is undeniably male centered, and that the economic and other inputs are targeted to men including strategies for social protection and social protection which translates into the ignoring of women's needs at the household (private sphere) and the national economy (public sphere).

Addressing the inequities

In order to address these inequities and bring about gender equality and development-oriented economic growth, there is a critical need to implement policy actions that recognise the caring work that women perform and which adds to the economy/national accounts, for example, the implementation of legislation to count unwaged work. The government of Trinidad and Tobago is the only CARICOM government to introduce legislation on *Counting Unremunerated Work* taking account of the domestic production and subsistence activities performed by both women and men and which make significant contribution to the national economy.

Equal pay for equal work

There is also need for increased efforts in the implementation of policies to increase the wages for low-waged caring work and to provide equal pay for work of equal value. More strategically, is the need to address the inequalities in access to resources and opportunities, as experienced by men and women. There is the tendency to ignore the differential results for men and women in terms of access to income, employment, affordable health services and housing amongst others. Strategies must be gender sensitive and must be multi-dimensional for example they should include adequate education, employment, credit, health and related services, paying attention to the most essential aspects of livelihoods and well-being and the enhancement of poverty reduction policies, which directly targets specific groups.

Gender inequality remains a major obstacle to achieving the Millennium Development Goals (MDGs) as well as other internationally agreed goals and targets, including those specific to gender such as CEDAW, the Beijing Platform for Action, the International

Conference on Population and Development (ICPD), and other similar treaties/conventions.

The way forward

In terms of the way forward in addressing the concerns of gender and social protection, the MDGs with measurable targets and indicators, provide opportunities for effecting change in the enhancement of gender equality and improvements in the conditions of men and women. It is critical that gender equity concerns are included in the design and implementation of economic and social policies.

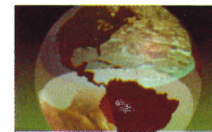
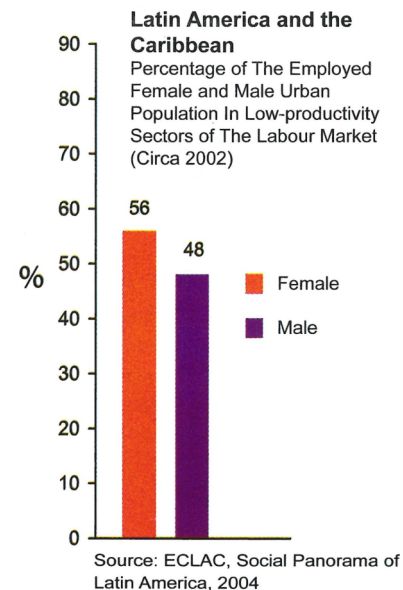
We must therefore look behind the available statistics for the root causes of discrimination for example, lack of jobs; the sidelining of women's issues and the abuse of rights; and more profoundly, women's lack of economic power, which is an obstacle to the achievement of gender parity. Furthermore, we must be cognizant of the gender-specific characteristics old age and ensure that analysis of social security does not disregard these issues. In developing a framework to respond to the high levels of social vulnerabilities and reduce the adverse effects on growth and development strategies, issues such as wage inequality must be addressed because it is well known that women on average are paid less than men for comparable work.

There is need to provide more employment opportunities for women, whose unemployment rates remain higher than that of males.

Pension reforms must address situations of discrimination for both women and men, and gender must become a unit of economic analysis - linking the relationship between the household and the role of women in the economy. As recommended by the UN General Assembly in 2003, *"greater attention should be paid to building capacity to reduce poverty amongst older persons, particularly older women, by mainstreaming ageing issues into poverty reduction strategies and national development frameworks."*

The contribution of women to the economy and social protection, especially

in relation to the unpaid work performed by women is one of the subjects to be addressed at the upcoming tenth Regional Conference on Women in Latin America and the Caribbean, which will be held in Quito, Ecuador in August 2007. ■



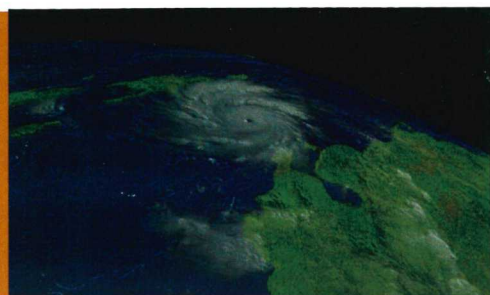
(continued from page 5)

FREEDING THE AMERICAS OF POVERTY AND HUNGER

4. Reversing the historical trend of poverty and hunger requires social spending not to behave pro-cyclically (i.e. increasing in times of boom and decreasing in periods of stagnation or economic depression) but must follow a counter-cyclical path to mitigate the negative impact of adjustments and volatility on population sectors with fewest assets;

5. The adoption of a social solidarity fund to be managed in keeping with the Rio Group coordinating mechanism that will fund projects for increasing access to education, especially for marginalized groups, facilitate access to ICT; provide finance for micro and small business development and promote tertiary level educational access as well as incubation for research and development funding for infant and neo natal mortality initiatives. ■

METHODOLOGIES FOR DISASTER ASSESSMENT



Background

The Caribbean Region is particularly prone to natural disasters such as hurricanes, earthquakes, volcanic eruptions and flooding all of which have impacted negatively on the economic, social and environmental strata of these islands wiping out years of investments and severely setting back the process of development. This was apparent in 2004 when economic losses in the Cayman Islands, Jamaica and Grenada as a result of Hurricane Ivan were recorded at US \$3.5 million, US \$600 million and US \$890 million respectively; Hurricanes Frances and Jeanne resulted in losses of US \$551 million in the Bahamas while the impacts of Hurricane Jeanne alone set back the Dominican Republic by US \$296 million. Earthquake activity in Dominica resulted in losses in the sum of US \$46 million. In fact, economic losses in 2004 alone from all these disasters totalled US \$5,763 million.

The Region has not only suffered economic losses but populations and infrastructure have also been affected.

Over the last decades, population increases and developmental pressures

have led to the expansion and/or creation of centres of population in areas that are vulnerable to these natural hazards. In some of the islands of the eastern Caribbean, the physical terrain has forced the development of towns and villages to be within the coastal zone and these are usually the first locations to be affected by tropical storms and hurricanes. In 2004, the population affected by Hurricane Ivan in the Cayman Islands stood at 83%, two (2) deaths resulted and 13,535 dwelling places were damaged. This could be compared with Haiti where 4% of the population was affected, 3,000 deaths were reported and 49,882 dwelling places were damaged; Jamaica with 14% of the population affected, 17 deaths reported and 102,000 dwelling places damaged; and Grenada with 79% of the population affected, 28 reported deaths and 28,000 dwelling places damaged.

In order to address this situation, in 2001 CARICOM, through broad based stakeholder consultations, adopted a Strategy and Results Framework for Comprehensive Disaster Management (CDM). The goal was to link CDM to development decision-making and planning. Five years after the embracing of CDM by the region and against a background of recent global catastrophes, there was a recognized desire among

disaster management stakeholders in the Caribbean to accelerate initiatives in promoting disaster loss reduction through a review of CDM achievements and a revisit of the CDM Strategy to sharpen its results focus.

However, the magnitude of impacts wrought by natural disasters requires a holistic approach as it is clear that they are having significant negative socio-economic impacts on the already vulnerable economies of these islands, impacts that may be exacerbated by impending climate change. Recognising that the vulnerability of the Caribbean region precludes its susceptibility to these impacts, several international, regional and national agencies, institutions and organizations have given their support to disaster management particularly in the areas of risk reduction and vulnerability assessments of the impacts of disasters.

To properly address the vulnerability of these islands in terms of risk reduction and assessing the impacts of natural disasters on societies, the Inter-American Development Bank (IDB 2005) has categorised disaster management into the following two (2) phases each comprising three (3) components:

Pre-disaster Phase – involves risk

Impact of Hurricane Ivan on Living Conditions of people in four selected countries

COUNTRY	TOTAL POPULATION	AFFECTED POPULATION	PERCENTAGE OF POPULATION	ABSOLUTE NUMBER OF DEATHS	NUMBER OF DWELLING PLACES DAMAGED	PERCENTAGE OF HOUSING STOCK
Cayman Islands	42,397	35,189	83	2	13,535	83
Grenada	102,632	81,553	79	28	28,000	89
Jamaica	2,620,000	369,685	14	17	102,000	14
Haiti	7,929,048	297,926	4	3,000	49,882	3.8

Source: ECLAC Reports of the Assessment of the Socioeconomic Impact

identification, risk mitigation and risk transfer;

Disaster Phase - involves disaster preparation, emergency response and rehabilitation and reconstruction .

The pre-disaster phase essentially focuses on risk reduction while the disaster phase focuses largely on addressing the impacts of disasters¹.

There are a number of agencies/ organizations/institutions that have developed or are developing methodologies for addressing disasters. It is desirable that in promoting a holistic approach it would be expedient to determine how existing methodologies may be streamlined and/or strengthened to support a regional approach.

Additionally, in the Caribbean several agencies and organisations have been mandated to address one or more of the disaster components and are therefore committed to providing support to the Region, whether directly or indirectly, within their area/s of interest.

International Organisations

World Bank

The World Bank promotes disaster prevention as an integral component of development rather than as a humanitarian issue. In this regard, the Bank is focused on the pre-disaster phase and advocates incorporating disaster prevention needs into the countries' development plans, including Poverty Reduction Strategies and the Bank's own Country Assistance Strategies.

Department for International

Development (DFID)

The Department for International Development (DFID) is the part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty. DFID's involvement in disaster management is essentially in the disaster phase

as it offers emergency aid to affected countries.

Inter-American Development Bank (IDB)

Until recently, the Inter-American Development Bank's assistance to borrower nations hit by disasters chiefly involved lending for reconstruction efforts that is, in the disaster rehabilitation phase. However, in 2005 the IDB decided to take a more proactive approach to disaster risk management which would become an integral part of projects in sectors such as infrastructure, housing, energy, agriculture, water and sanitation. The IDB therefore works with borrowing member countries to assess the potential impacts of disasters, the vulnerability of specific geographic areas and critical public infrastructure, their national capacity to finance reconstruction and governments' institutional capability to manage risks. They have developed a disaster prevention sector facility, established a regional network of disaster and risk management policymakers and designed a state-of-the-art system of risk management indicators to guide public and private sector decisions.

Organisation of American States (OAS)

For over a quarter of a century, the OAS has supported policies and projects in the most vulnerable countries of the hemisphere focused on locating and implementing cost-effective measures that identify communities, public infrastructure such as hospitals, schools and ports most vulnerable to natural disasters, and support risk mitigation measures (pre-disaster phase) that increase the resilience of communities to the impacts of natural disasters. The OAS also works on policies and programmes in the Caribbean, with CARICOM and other partners, helping countries and regional institutions in their efforts to cope with the adverse effects of climate change through several regional and national projects.

United Nations Development Programme (UNDP)

UNDP supports disaster-prone countries in the development of legislative frameworks, operational systems and coordination mechanisms to ensure the integration of risk reduction into

human development (pre-disaster phase). UNDP is also engaged at the local, national, regional and global levels in building capacities for assessing natural disaster risks and for developing appropriate plans and programmes. The organisation is also involved in damage assessment (joint assessments as in the northern Sumatra 2004 tsunami and recovery planning (from early recovery to recovery/rehabilitation). Mainstreaming of DRR and the making of linkages between DRR and Climate Change Adaptation is another area of support from UNDP as well a playing a role in coordinating development partners efforts and regarding sharing of information for effective response.

United Nations Environment Programme (UNEP)

UNEP provides support to countries in anticipating (pre-disaster phase), responding and managing disasters (disaster phase) caused by environmental factors or which have profound impacts on the environment since environmental impacts are interlinked with socio-economic impacts.

Canadian International Development Agency (CIDA)

CIDA's involvement in disaster management is essentially at the disaster phase as the Agency responds generously to international appeals for assistance in times of emergency and disaster. However, more recently in the Caribbean, CIDA is becoming increasingly committed to providing support in the pre-disaster phase and more specifically in the area of risk reduction.

United States Agency for International Development (USAID)

USAID has been the principal U.S. agency to extend assistance to countries recovering from disaster (disaster phase). More specifically, in the Caribbean, they have supported the development of a disaster benchmarking tool that would serve to assess the vulnerability of countries (pre-disaster phase) to disasters with a view to mainstreaming risk reduction into development planning.

National Oceanographic and Atmospheric Administration (NOAA)

NOAA is responsible for predicting

¹UNDP's Bureau for Crisis Prevention and Recovery includes Early Recovery in this phase.

natural hazards and issuing early warning signals (pre-disaster phase). The Organisation is essentially involved in mitigating the escalating social, economic, environmental and human costs arising from damage caused by storms, hurricanes, tsunamis and the long-term impacts of impending sea level rise. Integrating NOAA's hazard prediction and response activities and strengthening ties with its partners will better equip coastal communities in particular to protect from, withstand and rebuild natural disasters.

International Federation of the Red Cross and Red Crescent Societies (IFRCRC)

IFRCRC is involved in disaster preparation in that it conducts ongoing training for staff to prepare themselves to handle single family emergencies as well as bigger disasters where large groups of people require assistance. They also provide support in Community Education for Disaster Preparedness. The IFRCRC also responds to disasters through the provision of housing, food, mental health counseling and individual and family assistance to meet the immediate emergency needs. Recovery is also part of the mandate of the IFRCRC and in this regard, they work with other agencies to identify and meet the remaining needs of individuals and families.

Regional Organisations

Caribbean Development Bank (CDB)

In recognition of the need to mitigate the effects of natural hazards and disasters, the CDB has recently established a Disaster Mitigation Facility for the Caribbean (DMFC), with financial assistance from the United States Agency for International Development (USAID). Since 1972, the Bank has provided financial assistance for post-disaster reconstruction and emergency operations (disaster phase). It has also financed disaster mitigation projects (pre-disaster phase). The DMFC aims to partner with Borrowing Member Countries to promote the integration of disaster mitigation into development planning through the adoption and institutionalisation of successful disaster mitigation plans and policies and strengthening CDB's institutional capacity to effectively implement its 1998

Indicators of the use of vulnerability risk reduction measures

COUNTRY	EARLY WARNING SYSTEMS IN PLACE	EVACUATION OF POPULATIONS AT RISK	ADOPTION AND USE OF BUILDING CODES
Cayman Islands	yes	yes	Adoption and Use of South Florida Building Codes and currently have their standard code : the SBCCI, the Standard
Grenada	no	no	Building Code of the Cayman Islands Adoption of OECS Building Codes (not implemented)
Jamaica	yes	yes	Jamaica National Building Code under consideration (based on CUBiC
Haiti	no	no	No building codes in use

Natural Disaster Management Strategy, focusing on mitigation, to modify this Strategy as appropriate, and to integrate the revised Strategy into all of CDB's policies, projects and programmes.

Caribbean Disaster Emergency Response Agency (CDERA)

The CDERA work programme is informed by the needs of its Participating States, the need to develop capacity and strengthen institutions as we pursue Comprehensive Disaster Management (CDM) in the region. In this regard the Organisation must develop mechanisms for monitoring and evaluating the impact of its programmes, project interventions and activities. The Biennial Disaster Management Audit is intended to achieve this by providing a systematic method for capturing this information and reporting on the status of CDM. The Audit Instrument is targeted at National Disaster Coordinators (NDC) or designates in the Participating States. However it is expected that the NDC or designate, will collaborate and consult with counterparts within the wider National Disaster Organisation to ensure that the most current and accurate information is gleaned. Some questions relate specifically the National Disaster Office whilst others relate to the wider National Disaster Organisation.

Caribbean Community (CARICOM)

CARICOM's involvement in disaster management is at the level of implementing a project on climate change. The project's main objective is to mainstream climate change adaptation strategies (pre-disaster) into the sustainable development agendas of the small-island and low-lying states of CARICOM. The project will adopt a learning-by-doing approach to capacity building, consolidating the achievements

of other projects and will build on the progress achieved in these past projects by increasing institutional capacity, strengthening the knowledge base, and deepening awareness and participation of the impacts of climate change.

Organisation of Eastern Caribbean States (OECS)

The OECS' involvement in disaster management is at the pre- and post disaster phases. Its Disaster Response and Risk Reduction Programme provides technical support to Member States in their initiatives aimed at reducing risk for low income communities. Such risk will be addressed through the areas of settlement planning and safe construction practices. The programme has also facilitated the formulation of a disaster benchmarking tool designed to improve the ability of national governments, civil society organizations, and private sector to proactively plan and implement actions to create greater economic resilience. The tool has been tested in three of the OECS Member States. At the response level, the OECS Disaster Programme also facilitates post impact disaster assessments.

University of the West Indies (UWI)

UWI has recently launched a Centre for Disaster Risk Reduction (pre-disaster phase) that would begin to co-ordinate a regional approach to disaster management. Climate modeling has also been undertaken through the Climate Studies Group at the UWI.

Several of these agencies and organisations among others have developed methodologies for assessing vulnerability of countries to natural disasters and these may be applied at both the pre-disaster and disaster phases and especially at the community level. ■

IMPROVING SOCIAL STATISTICS AND POLICY RESEARCH WITH SPECIAL REFERENCE TO HIV/AIDS

Report on the meeting of the Technical Working Group

Crowne Plaza, Trinidad 29-30 February 2007



The two day meeting of the Technical Working Group was called out of a special need to address the lack of social statistics and had as its aim the framing of strategies which would help with improving the deficits in social statistics, especially as it relates to HIV/AIDS.

The grounds for this initiative were:

- (i) the critical need for empirical data in informing social policy especially as the region advanced to a Single Market
- (ii) the undisputed need for data in defining indices and indicators such as HDI, vulnerability indicators etc. and
- (iii) the apparent shortfalls of some Caribbean countries in achieving the millennium goal of combating HIV/AIDS.

The meeting which was chaired by Mr. Edward Greene (CARICOM Secretariat), drew participants from a wide cross-section of organizations² and agencies in the region.

The meeting received numerous insightful and well-detailed presentations on diverse areas such as:

- i) the development of policy research in human resource, health and AIDS
- ii) the perspectives of PLWHA (People Living With HIV/AIDS)
- iii) the challenges in strengthening epidemiological trend analysis and social statistics
- iv) the use of virtual reality as ICT application in reducing discrimination of persons living with HIV/AIDS
- v) the need for capacity building in behaviour change communication

and research in the Caribbean

- vi) the strengthening of non-medical research in the Caribbean

One of the key elements of the meeting was the provision, by stakeholders, of comprehensive reviews of the current situation as it relates to data collection, statistics and research on health, in particular HIV/AIDS. The reviews clearly indicated:

- (i) the dearth of datasets in social statistics and in particular data on communicable diseases.
- (ii) the failure of most offices to engage in thorough analyses of data
- (iii) the general trend to end research at the point of data collection and not engage in data dissemination which was critical in assuring the meaningfulness of the research. The effects of lack of dissemination was best articulated in the analogy by Dr. Brendan Bain "doing research without appropriate dissemination and interpretation of findings, is like lighting a candle and putting it under a glass".

The representatives from UWI also used the forum to present an initiative dubbed CRISP (Caribbean Regional and International Scholars Programme) which would help in developing a cadre of competent researchers.

Priorities

The meeting proposed the following as priorities:

- Desk reviews and the compilation of a bibliography of studies that have been done in the region
- Identification of gaps in research
- Expansion of lines of research to

incorporate "behaviour" rather than just health data, given the changing face of the epidemic.

- Harmonization of the data sets and indicators
- Fostering of closer collaboration with agencies in the collection of statistics
- Institutional strengthening of the National Statistics Offices and the streamlining of national statistics
- Involvement of PLWHA (People Living With HIV/AIDS) in research
- Dissemination of research findings and the formulation of a strategic communication plan

The Way forward

A small subcommittee was appointed and charged with the responsibility of preparing a short order of the proposed strategy for dealing with the issues at hand. The members included:

Prof. Karl Theodore - University of the West Indies

A representative of CHRC (to be determined)

Prof. Christine Barrow - UWI/SALISES

A representative from UWI Mona Campus (to be determined)

Two representatives of CARICOM (Human and Social Development)

A representative of PANCAP

Ms. Claudette Francis

A representative at the national level

A representative of Epidemiology Centre (CAREC/PAHO)

Sir George - CHRC (ex-officio member)

It was also agreed that despite the interruptions that would occur because of carnival and World Cup, an effort should be made to convene the first session of the subcommittee by the third week in February. The chairperson or head of the committee would be selected during that first meeting. ■

¹Meeting was sponsored by DFID

²Organisations represented included CCHD, CHRC, PANCAP, CARICOM, UWI/CARIMAC, CAREC/PAHO, CRN+, UNECLAC, UNIFEM and UNAIDS.

*(continued from page 8)***THE TREATMENT OF ASYMMETRIES
IN THE CONTEXT OF
REGIONAL COOPERATION**

Damage to Caribbean SIDS from recent weather-related disasters has been documented¹¹. 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 risk¹². 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 management¹³.

The way forward

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. ■

¹¹ECLAC, 2005: Caribbean Small States, Vulnerability and Development. Available online at: <http://www.eclac.cl/publicaciones/PortOfSpain/0/LCCARL60/L.60.pdf>

¹²The ...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

¹³ ACS Agreement No. 6/06 of the Ministerial Council. The Commission is currently chaired by Barbados, with Panama and Guatemala Vice Chairpersons. 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.

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ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
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