

# **Treatment of Asymmetries in the Rio Group**

## **Report prepared for the XIX Summit of the Rio Group**

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### **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 between 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<sup>1</sup>.

Asymmetries constrain the ability of social and economic agents to participate in the benefits of growth and market integration. They may be related to size, levels of development, the availability of public goods, access to resources, or structures of international trade and finance<sup>2</sup>. As a small country, and as representative of the Caribbean Community (CARICOM), a group of 15 small countries in the hemispheric family, Guyana, has a particular interest in the treatment of asymmetries related to size. The importance of this subject to the members of the Rio Group was affirmed at XVII Summit held in Cusco in May 2003 and reiterated at the XVIII Summit held in Rio de Janeiro in 2004; both of which made reference to ‘special needs of small and vulnerable

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

<sup>2</sup> On this, see the excellent report by ECLAC, *Globalisation and Development* (2002).

economies'<sup>3</sup>. Accordingly, treatment of asymmetries was one of the principal agenda items at the Meeting of Foreign Ministers of the Rio Group held in Georgetown, Guyana in June 2006. It was agreed that the subject was of high political importance and that recommendations for concrete action would be made for consideration at the XIX Summit to be held in Georgetown.

Pursuant to this, the Government of Guyana, with the assistance of the United Nations ECLAC Office for the Caribbean, convened a Technical Working Group on the Treatment of Asymmetries in Port of Spain, Trinidad and Tobago, in January 12-13, 2007. The meeting was attended by experts from regional and international organisations and from the University of the West Indies (UWI); and discussed papers presented by the ECLAC Office for the Caribbean, the Secretariat of the Latin American Economic System (SELA), and two consultants from the UWI<sup>4</sup>. The experts agreed on a set of specific actions and measures which could serve to advance the treatment of asymmetries as they affect the smaller countries in a manner that is mutually beneficial to all states involved. This report draws on the findings, discussion and recommendations of the meeting.

## **Types of asymmetries**

Asymmetries are constituted by differences in power, 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,

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<sup>3</sup> Cusco Declaration, Para. 21; Rio de Janeiro Declaration, Para. 6. Note also a forum on 'A New Approach to Asymmetries in South American Integration' held in La Paz in October 2005 as a follow-up to the II Summit of the South American Community of Nations (CASA), identified the need for concrete action on the subject and mandated the secretariats of regional organisations to undertake a series of studies and make recommendations.

<sup>4</sup> "Special and Differential Treatment in CARICOM", by Esteban Perez, Economic Affairs Officer, ECLAC, 2007; "A New approach to the Treatment of Asymmetries in South American Integration", by Antonio F. Romero, SELA, 2007; "Treatment of Asymmetries: A Review of the Issues", by Norman Girvan, Consultant, University of the West Indies, 2007; and "Promoting Economic Links Between the Integration Schemes of Latin America and the Caribbean: A CARICOM Perspective on Selected Issues", by Claremont Kirton, Consultant, University of the West Indies, 2007.

enterprises, regions and countries. Asymmetries among countries may be classified into structural asymmetries and asymmetries derived from public policies. 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 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 marginalisation 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.

## **Asymmetries of size**

The main asymmetries related to size concern bargaining power, vulnerability to external shocks and capacity for economic diversification and transformation. These have been findings of an extensive literature on the special problems faced by small countries<sup>5</sup>. Small countries are severely challenged by the wide-ranging and technically complex demands of a multiplicity of international trade negotiations<sup>6</sup>, 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

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<sup>5</sup> See for example World Trade Organization, Committee on Trade and Development, Work Programme on Small Economies. *Issues relating to the Trade of Small Economies, Revision* Communication from Barbados, Belize, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, Sri Lanka, Trinidad and Tobago. WT/COMTD/SE/W/1/Rev.1\* . 3 May 2002, para. The intergovernmental organisations 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.

<sup>6</sup> Many small countries cannot afford to maintain an office in Geneva; most have very small missions burdened with a multiplicity of meetings

higher degree of GDP volatility<sup>7</sup>. Economic vulnerability--the sensitivity to external market shocks—comes about because of their higher degree of trade dependence and their relative lack of export diversification. These are consequences of their limited resource base, small population and the reliance of many small economies on external market preferences that are being dismantled. Environmental vulnerability refers to the fact that the impact of natural disasters is magnified by small size. Small island 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 and research and development and higher unit costs of public administration.

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

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<sup>7</sup> See *Small States: Meeting Challenges in the Global Economy. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States*. April 2000. Also WTO, Committee on Trade and Development; *Trade and Economic Performance: The Role of Economic Size?* WT/COMTD/SE/W/5 23 October 2002

Differences in size also condition the kind of insertion into the global economy that countries are able to secure. We can see this 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 low end of the skill/and technology spectrum (Table 4); but the proportion is highest for the smaller economies. Thus, whereas three of the four largest economies have between 68 and 79 percent in the first three categories; 15 out of 16 small and mid-sized economies have between 80 and 96 percent 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 recognised that small countries have a responsibility to make the most of their own resources and their development will rely mostly on their own efforts. Several small countries have achieved relatively high incomes by leveraging their geographic location and their natural resources, for example through the export of international financial services and tourism. Others, however, are not as fortunately placed. Even in the former, vulnerability is an ever-present factor<sup>8</sup> Moreover, the changing rules of the international trading system associated with globalisation—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 assistance needed by small countries is the kind of cooperation with their efforts in economic diversification that take their particular circumstances into account. Treatment of asymmetries related to size should be oriented mainly to this end. It is in this light that the existing state of ‘Special and Differential Treatment’ is to be assessed.

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<sup>8</sup> As shown for example by the OECD’s ‘harmful tax competition’ initiative that impacted several Caribbean international financial centres, and by the increasing incidence of hurricanes impacting Caribbean tourist economies.

## **Beyond Special and Differential Treatment**

The traditional approach to the treatment of asymmetries has consisted mainly of measures of ‘Special and Differential Treatment’ (SDT) countries 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 to improve 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 fifteen years of strong expansion in intra-regional trade, asymmetries among countries have increased. The reasons lie in deficiencies in the content of SDT measures and in the manner of their implementation. SDT measures have been criticised for inconsistency, for the absence of facilitating institutions and policies, for inadequate attention to results as distinct from processes, for being excessively used or demanded, and for lack of transparency in their application. Furthermore, SDT by itself does not address non-tariff barriers to trade; firm-level capacity constraints in capital, management and technology; or economy-wide capacity constraints due to inadequate and high-cost infrastructure. Finally, SDT has been

targeted mainly at goods and neglects services, which have become very important in trade, especially in the Caribbean.

The limitations can be illustrated by the Caricom experience. SDT in CARICOM was conceived as a three legged strategy based on facilitation and regulation of trade, regulation of capital movements and facilitation of finance flows to LDCs. In practice, however, SDT was only partially applied with a focus on trade protection without finance. SDT did facilitate the development of some manufacturing firms in Caricom's Less Developed Countries (LDCs) but other critical goals, including the protection of LDC market shares, the reduction in polarisation and the facilitation of improved capital flows to LDCs were only partially fulfilled. Implementation of SDT coincided with a period of some convergence in income levels within the Community from 1980 to the mid-1990s, but since then intraregional disparities have widened<sup>9</sup>. Studies show that LDC firms face serious financial constraints on their development; including high cost of debt finance, limited availability of capital for long-term projects, and fragmentation of capital markets. Higher cost structures for labour, electricity, ocean freight and other inputs also put LDC firms at a competitive disadvantage relative to MDC firms. Furthermore OECS countries now export far more services than goods, and services have not been covered by SDT provisions.

Due to the disappointing results of SDT, growing attention is being paid to measures that address supply-side constraints at the level of firms and infrastructure; and asymmetries in public policies. These measures do not replace SDT in trade rules, but aim to complement them by additional measures to 'level the playing field' and to enable firms to make better use of SDT provisions. In the Caricom case a Regional Development Fund (RDF) has been established as part of the arrangements for the creation Caricom Single Market and Economy (CSME). The RDF will provide financial and technical assistance

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<sup>9</sup>This divergence may be due to other factors, including fiscal imbalance, balance of payments constraint and negative net resource transfers from abroad.

to disadvantaged countries, regions and sectors when it becomes fully operational in 2007. A similar fund has been set up in MERCOSUR for the benefit of the smaller members. Some bilateral financial programmes also directly benefit the productive sector.

Hence, the emphasis now is on a 'new approach' to the treatment of asymmetries. For example, during preparatory meetings for the III CASA Summit held in December 2006; the view emerged that the treatment of asymmetries must form an integral part of the scheme for South American integration and that a new approach is needed that goes beyond Special and Differential Treatment in trade agreements. A High-level Group on Asymmetries (GANA) was set up study the subject, comprising representatives of member countries and regional organisations<sup>10</sup>. The present report suggests how a 'new approach' might work as applied to small countries.

## **The need to expand CARICOM--Latin American Trade**

The constraints faced by small countries in export diversification and in making use of SDT are illustrated by Caricom's trade with its Latin American neighbours (Figures 1-5). Most of Caricom's exports go to North America and they consist mainly of resource-based products. Caricom's exports to countries in Latin American Integration arrangements (LAIA) are a very small proportion of the total 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 between Caricom and two members of the Andean Community that contain

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<sup>10</sup> The responsibilities of the Group are i) selection of relevant indicators of major asymmetries in the region; ii) establishment of mechanisms for follow-up of selected indicators so as to evaluate the impact of community policies and map trends in disparities; iii) implementation of a pilot project for each one of the lines of action adopted for the treatment of asymmetries. This is an initiative that is worthy of the support of the Rio Group.

SDT provisions<sup>11</sup>. Significantly, CARICOM had a positive trade balance with the 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.

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

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<sup>11</sup> i.e. Colombia and Venezuela

are on the South American mainland and are attracting growing numbers of visitors from neighbouring countries<sup>12</sup>.

Tourism has more than economic significance; it is also a way of expanding cultural contact and understanding between the two sub-regions. There is much scope for increasing tourism from the English-speaking Caribbean to Latin America. English-speaking and Hispanic countries already cooperate within the Caribbean Tourism Organization (CTO) and the Association of Caribbean States (ACS), which is establishing the Greater Caribbean Zone of Sustainable Tourism. Several issues need to be addressed; awareness, the availability and cost of air travel, visa requirements and the quality and variety of the product/service offered. There should be greater collaboration between tourism promotion agencies in large and small countries. Major Latin American based airlines should be encouraged to offer tour packages to the English-speaking countries, perhaps in collaboration with major hotel chains. Greater investment by Latin American-based hotel enterprises in the English-speaking destinations would also be an inducement. There is need for expanded language training in Spanish and Portuguese for tourism workers in the English-speaking Caribbean. Hotels and tourism promotion agencies in the English-speaking Caribbean need to 'look southwards' in their marketing. These areas should be considered for technical assistance and other kinds of cooperation among countries in the two subregions.

Other kinds of services with a potential for expanded trade are health, education, sports tourism, and engineering and consultancy services. Further study is needed of these possibilities. One area that merits further investigation is language training. The Anglophone Caribbean contains the largest collection of English-speaking countries in the hemisphere outside of the U.S. and Canada, in close proximity to all of Latin America, and has a relatively advanced education system. As such, it needs to position itself as an English language training platform in the Latin American market. Similarly,

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<sup>12</sup> Suriname now attracts a growing number of visitors from Brazil.

there is great need and potential for expanded Spanish and Portuguese language training in Latin America for English speakers. This has been amply demonstrated by the success of bilateral programmes operated by several states in the Caribbean region.

## **Other measures**

The Andean Development Corporation (CAF), the Caribbean Development Bank (CDB) and the Central American Integration Bank (BCIE) have been the major subregional institutions financing integration. CAF has become a major financial force in Latin American integration; with membership that now includes the five MERCOSUR member states, Mexico and six other countries outside of the Andean region including two CARICOM countries (Jamaica and Trinidad and Tobago). CAF's activities in the other two subregions have not been significant, but there have been discussions with the CDB on the establishment of formal links. There is a need to examine the concrete possibilities of CAF extending its operations by financing projects that support expanded trade and investment between the smaller countries of the region and their larger counterparts. This could be directly or via participation in special projects with the Caribbean Development Bank and the Central American Integration Bank.

### *The WTO*

The special circumstances and needs of small, vulnerable economies (SVEs) have received official recognition in the WTO, whose 'small economies' group includes several members of the Rio Group. The Group should give political support to the efforts by SVEs to have their needs addressed in the Doha Development Round. This would be consistent with its stated position on the treatment of asymmetries in regional cooperation, and would strengthen the bargaining position of SVEs in the WTO. For example, one proposal SVEs should not be required to give full reciprocity in regional trade agreements (RTAs) with developed countries; or to make concessions that are

inconsistent with their development, financial and other needs. Another proposal addresses difficulties in implementing the WTO Agreements on Subsidies and Countervailing Measures (ASCM); Safeguards, Sanitary and Phytosanitary (SPS); and Technical Barriers to Trade (TBS); by allowing SVEs exceptions, flexibility in implementation and simplification of procedures. Proposals on the table at the time the Doha negotiations broke down would lead to the definition of 22 WTO members as Small Vulnerable Economies, including 6 members of the Rio Group and three other CARICOM states<sup>13</sup>.

### *Infrastructure*

The Initiative for Integration of Regional Infrastructure in South America (IIRSA), and the Plan-Puebla-Panama (PPP), finance infrastructure development in telecommunications, energy and transport for several smaller and less developed countries of the South American region<sup>14</sup>. This will enable them to expand their exports and attract investment capital. They can be considered to be additional forms of treating asymmetries by directly addressing supply-side capacity constraints in these economies. These programmes could possibly be extended to support air and maritime transport linkages between the mainland and the insular states; for example by means of improved linkages between the road network systems and Caribbean ports; expanded and modernised port facilities; and support for air transport cargo facilities.

### *The environment and the Caribbean Sea*

Treatment of asymmetries for small and vulnerable economies should be extended to address the environmental concerns of these countries. Small Island Developing States

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<sup>13</sup> The proposals are for: up to 0.4 percent of global trade in agriculture (agriculture talks); up to 0.1 percent of global trade in non-agricultural goods (NAMA theatre); up to 0.16 percent in global trade overall.

<sup>14</sup> Including, Ecuador, Bolivia, Paraguay, Uruguay, Guyana and Suriname; and the countries of Central America, Belize and Panama.

(SIDS)<sup>15</sup>, suffer from major environmental asymmetries, for example the acute disproportion between their contribution to global climate change on the one hand, and the degree to which they suffer from its consequences on the other hand. The effects of these consequences, which include sea level rise, floods, hurricanes, and coral bleaching on their economies is disproportionately high. Damage to Caribbean SIDS from recent weather-related disasters has been documented<sup>16</sup>. Twelve members of the Rio Group are state of the Greater Caribbean that border the Caribbean Sea or lie within it; a marine environment that is at considerable ecological risk<sup>17</sup>. All are members of the Association of Caribbean States (ACS); and in 2006 the ACS secured the backing of the United Nations General Assembly in having a resolution passed declaring the Caribbean Sea to be a Special Area in the context of Sustainable Development. In March 2006 the ACS created the Caribbean Sea Commission with a view to promoting and achieving the preservation and sustainable use of the Caribbean Sea, through the formulation of guidelines for coastal and marine management<sup>18</sup>.

The Rio Group should give its diplomatic support for the accelerated implementation of the SIDS programme of action and the implementation and strengthening of the Kyoto Protocol; and technical and material support for Caribbean small island states projects on disaster management and mitigation and adaptation to global climate change and to the ACS Caribbean Sea Commission.

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<sup>15</sup> The SIDS grouping includes the Dominican Republic and all of the CARICOM insular states, which are represented in the Rio Group by Guyana.

<sup>16</sup> UNECLAC, 2005: *Caribbean Small States, Vulnerability and Development*. Available online at: <http://www.eclac.cl/publicaciones/PortOfSpain/0/LCCARL60/L.60.pdf>

<sup>17</sup> “The ... Sea has been critically assessed and ranked by expert consensus as having the highest priority for conservation of any marine eco-region in the whole of Latin America and the Caribbean “ Source: John Agard and Angela Cropper; Caribbean Sea Millennium Assessment Report. Report prepared for the Global Millennium Assessment Port of Spain, 2005 (Draft).; p. 15

<sup>18</sup> ACS Agreement No. 6/06 of the Ministerial Council. The Commission is currently chaired by Barbados, with Panama and Guatemala Vice Chairpersons<sup>18</sup>. 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](http://www.acs-aec.org) 13 November 2006

## Conclusions and recommendations

In broad terms, a new approach to the treatment of asymmetries would involve action on at least three fronts. First, there would be policies to enhance market access; which would include measures dealing with technical standards, sanitary and Phytosanitary 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 increase supply capabilities and competitiveness of beneficiary countries through support for medium and small enterprises and the provision of physical infrastructure. Third, there would be policies that address asymmetries derived from public policies by cooperation in macroeconomic policies and incentives policies to promote investments and exports.

With respect to small countries, particularly those in the CARICOM grouping, the Technical Working Group generated a large number of suggested measures and actions. It was agreed, however, that proposals for the consideration of the Summit should consist of a practical and immediate steps aimed at promoting expanded exports, tourism and investment for the benefit of smaller economies. This would be without prejudice to longer-term action. The following measures were identified.

1. **Sanitary and phyto-sanitary standards (SPS).** Regionalisation, and if possible simplification, of SPS. The objective is to reduce the costs to firms of penetrating and servicing multiple markets in the region. This would be of especial value to firms in smaller economies and to SMEs in all economies. Consideration should be given to establishing a technical working group on SPS with this aim.
2. **Technical assistance for market access.** The larger Rio Group countries should develop technical assistance programmes for exporters in smaller economies aimed at encouraging and facilitating their ability to access their markets. Especial attention should be paid to non-tariff barriers, language barriers and information asymmetries that hinder the ability of small economy exporters to access these markets.

3. **Business seminars.** This is an example of technical assistance. One large country already organizes “how to export to ---“seminars for businesspersons in other countries. Consideration should be given to extending and replicating this programme, particularly for the benefit of smaller economies.
4. **Business contact.** Consideration should be given to reviving the hemispheric business fora that were initiated during the FTAA talks, with the aim of promoting the participation of businesspersons from smaller economies and facilitating exports, investment and joint ventures between small and large economies.
5. **Tourism.** The large mainland countries, in collaboration with tourism agencies in the English-speaking Caribbean, should organize special programmes to encourage mainland-island tourism and mainland-mainland tourism among Spanish-speaking, Portuguese-speaking and English-speaking countries; aimed particularly at benefiting smaller economies.
6. **Infrastructure.** The feasibility should be studied of extending IIRSA and the PPP by projects that provide, or support, an air and sea ‘bridge’ between mainland and island countries. This will facilitate trade, tourism, and investment linkages among the Caribbean, Central America and the larger countries in the Rio Group. Feasibility studies should be commissioned.
7. **Financing.** The Andean Development Corporation (CAF) and the Caribbean Development Bank (CDB) should study the feasibility of establishing a joint financing programme in support of trade, tourism and investment links between Latin America and the English-speaking Caribbean.
8. **Monitoring and research.** ECLAC, SELA and the ACS should create jointly a permanent mechanism for research and monitoring of provisions for Special and Differential Treatment and their effects, the factors that have prevented firms from taking greater advantage of SDT provisions in trade agreements, measures to address structural asymmetries and public policy asymmetries and their effects; and other factors impinging on the benefits that small economies derive from regional cooperation.

9. **Support for small economies in the WTO.** Rio Group countries should give their support for the proposals of small economies in the WTO for greater flexibility in the implementation of WTO commitments that are particularly onerous because of their small size; and for greater policy space to protect their sensitive agricultural and industrial sectors and to foster industries, including service industries that diversify their economies.
10. **Support on global and regional environmental issues.** Rio Group countries should give their political and technical support to the ACS Caribbean Sea Initiative and the ACS Caribbean Sea Commission; and to the further implementation and financing for the SIDS Programme of Action.

January 23, 2007

## APPENDIX

**TABLE 1. RIO-GROUP COUNTRIES: INDICATORS OF SIZE**

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

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

**Source:** Updated version of Annex 1 of the 2003 ACS report on “International Trade Negotiations and Small Economies in Latin America and the Caribbean: Asymmetries and Special and Differential Treatment from the 3rd Brainstorming Meeting on the Treatment of Small Economies in International Trade Negotiations in Caracas, Venezuela. Sources of updated data include: World Bank- World

Development Indicators online database available on the website: <http://devdata.worldbank.org/dataonline/>. United Nations Statistical Division available on <http://unstats.un.org/unsd/snaama/selectionbasicFast.asp>

Note: Index: a-2001, b-2002, c-2003, \*1999 PPP;  $PSPH = (100/3) \times \{[(pop./max.pop) \times (HDI/max.HDI)] + (area/max.area) + (GDP/max.GDP)\}$

Population Max., Land Area Max., and GDP Max. For 2004 in the Hemisphere is United States and are 298213, 9159 & 10763.9 while

HDI Max. For 2004 is Canada's 0.949.

**TABLE 2 WORLD BANK COMPOSITE VULNERABILITY INDICES FOR RIO GROUP COUNTRIES**

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

Countries in italics are CARICOM states that are represented in the Rio Group by Guyana.

Source: Adapted from Report on Latin America and the Caribbean Small State Conference, St Lucia, Feb 1999- "Small States: A composite Vulnerability Index". This index demonstrates that output volatility can be explained in part by three highly significant factors: a country's openness -measured by the average exports of goods and non factor services as a percentage of GDP; its lack of diversification, as measured by UNCTAD diversification index; and for small states is susceptibility to natural disasters , as measured by the proportion of the population affected by such events as estimated over a relatively long period of time.  
<http://Inweb18.worldbank.org/External/lac/lac.nsf/c3473659f307761e852567ec0054ee1b/629bfda942b112e2852567fe00530409?OpenDocument> This website was accessed in September 2006.

**TABLE 3. UNITED NATIONS ECONOMIC VULNERABILITY INDICES FOR RIO GROUP COUNTRIES,**

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

The UN Economic Vulnerability Index is used by WTO members as one of the criteria officially recognised in the definition of LDC.

Countries with a score of >31 is considered vulnerable; >36 highly vulnerable/LDC

**Source:** Adapted from Annex 2 of "Data Paper 5: Small Vulnerable Economy Issues and the WTO" by Grynberg and Remy in the 24<sup>th</sup>; Commonwealth Parliamentary Conference of Members from Small Countries, September 2004, Quebec City, Canada. Countries in italics are not members of the Rio Group, but all except Cuba are members of CARICOM, represented in the Group by Guyana Information was sourced from UN ECOSOC (2001). This paper can be accessed on: [www.cpahq.org/SCC5\\_pdf\\_media\\_public.aspx](http://www.cpahq.org/SCC5_pdf_media_public.aspx).

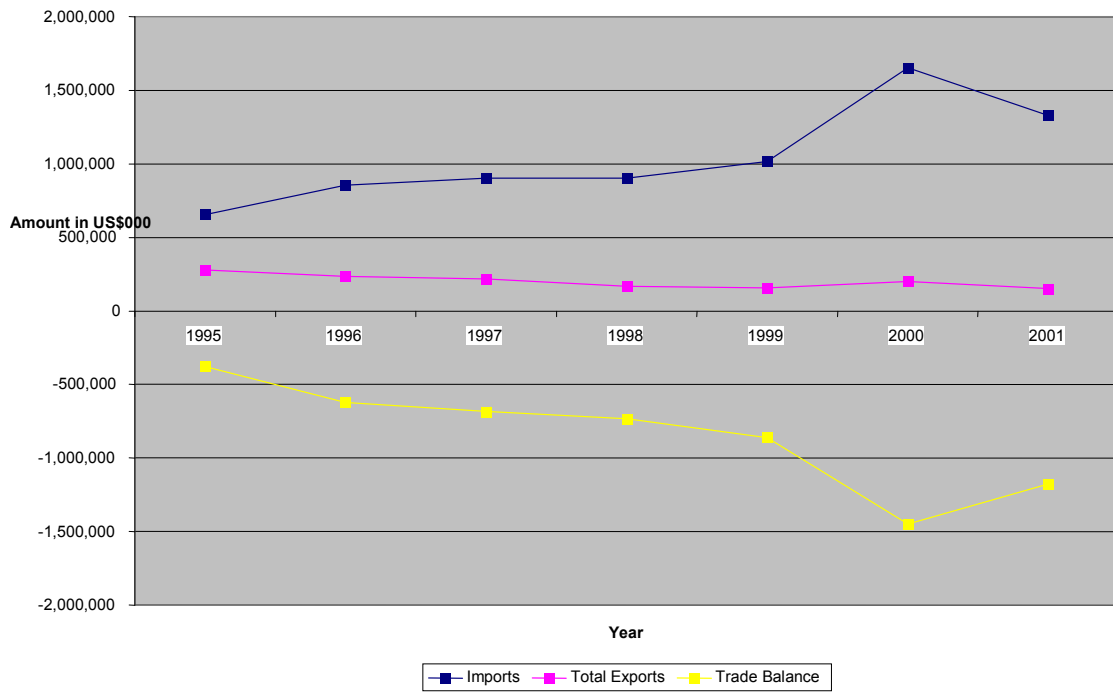
**TABLE 4. EXPORTS BY TECHNOLOGICAL INTENSITY AND SIZE GROUP**

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

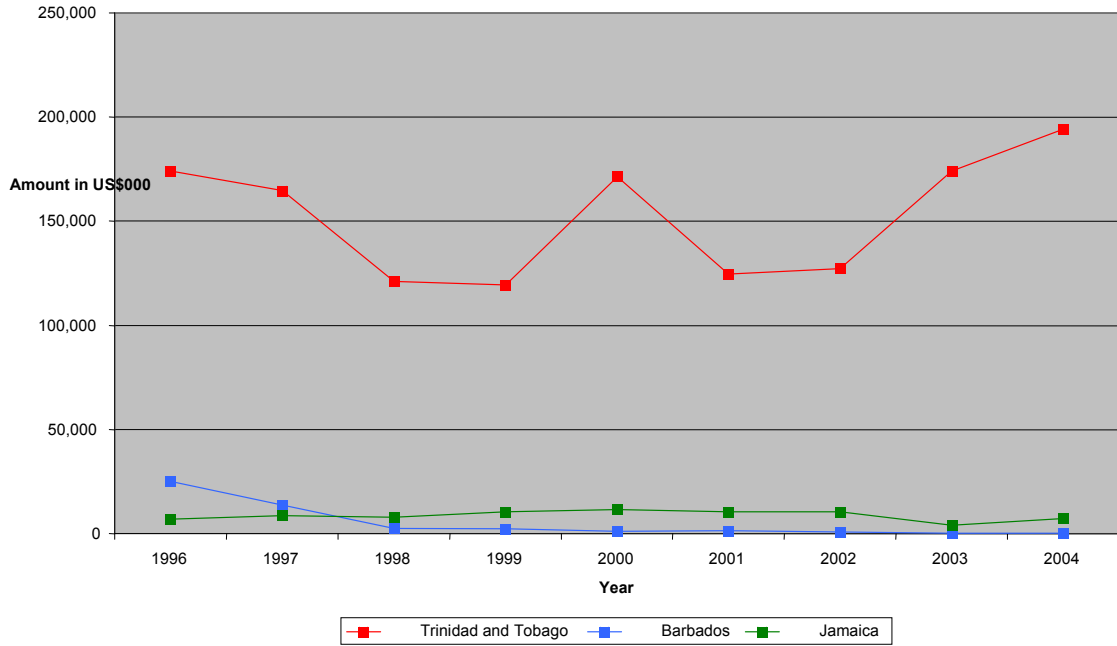
**A, B, & C: Primary commodities, labour intensive and Resource-Based Manufacturers, and manufacturers with low skill and technology intensity**

**D & E: Manufactures with medium and high skill and technology intensity**

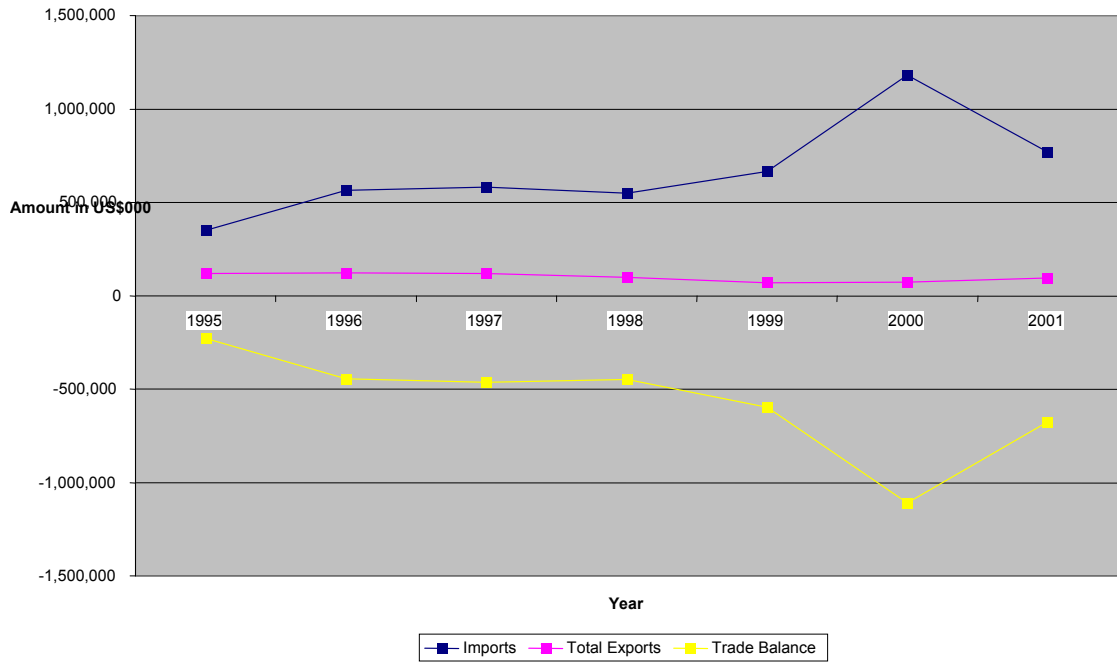
Figure 1 CARICOM's Trade Balance with the Latin American Integration Association:  
1995 - 2001 (US\$'000)



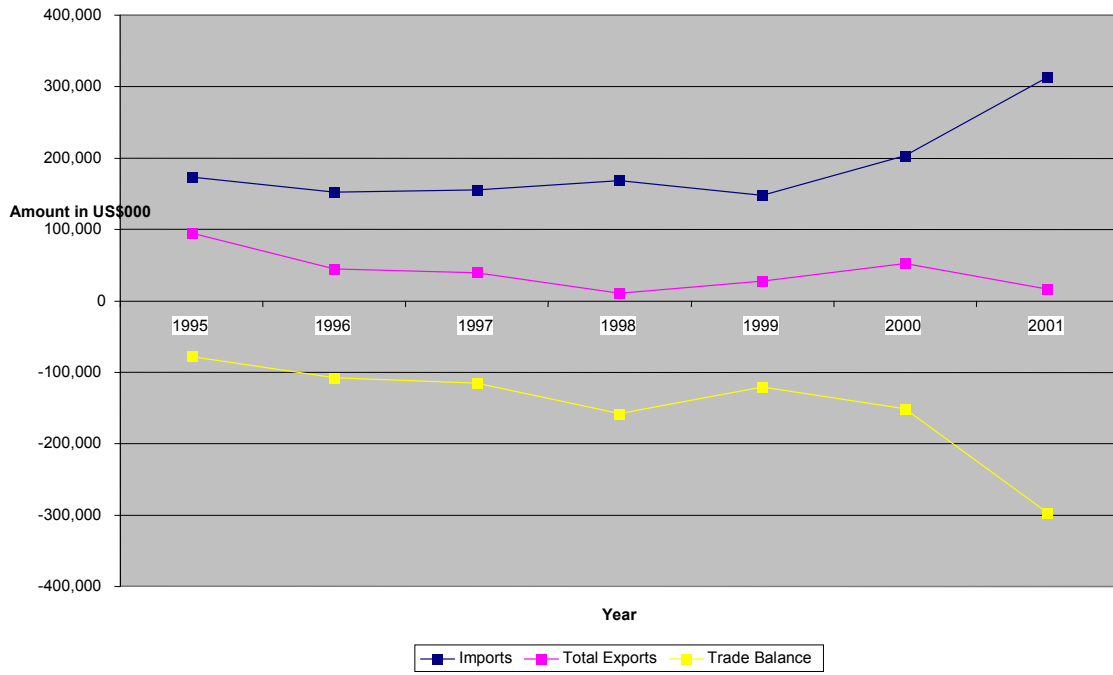
**Figure 2: Value of CARICOM's Domestic Exports to the Latin American Integration Association By top three exporting Countries: 1996 - 2004 (US\$'000)**



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



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



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

