THE INTEGRATION OF SMALL ECONOMIES IN THE FREE TRADE AREA OF THE AMERICAS

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February 2, 1998

Policy Papers on the Americas

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Volume IX Study 1

February 2, 1998

CSIS Americas Program

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This study was prepared under the aegis of the CSIS Policy Papers on the Americas series. Comments are welcome and should be directed to:

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The statistical information in the tables was prepared by Barbara Kotschwar and Pat Edwards and comments were received from Winsome Leslie, Don McKay, Norman Girvan, Maurice Odle, Trevor Harker, and Kathy-Ann Brown.

The author would like to respectfully dedicate this essay to the group of Caribbean economists who have contributed so much to the understanding of small, developing economies. In grateful appreciation to George Beckford, William Demas, Norman Girvan, Sir Alister McIntyre, and Clive Thomas.

The views expressed in this paper are those of the author and not those of the government of Jamaica.

Introduction

The world is involved in a profound process of globalization that is both requiring and creating multi-country, transnational economic spaces. The global economy is encouraging an expansion to larger units; at the same time, however, there is a complementary and contradictory process of political fragmentation, which is resulting in smaller states.[1] The number of countries and states in the world has increased significantly in recent decades; in particular, there has been a proliferation of small countries and states. At the time of the first world war, there were 62 independent countries; by 1946 that number had risen to 74; currently, there are 193. Most of these are small states. Indeed, 87 countries have a population of less that 5 million, 58 have under 2.5 million people, and 35 have less than 500,000 people.[2]

The majority of countries are small, and the issue of smallness must be addressed both at the political and economic levels. It is particularly important in international groupings that include both large and small states. For example, the Commonwealth maintains a Ministerial Group on Small States. In its most recent report, the Ministerial Group emphasized the need for the international community to recognize the multidimensional nature of the vulnerability of small states and called for action to ensure that small states fully shared in the benefits from globalization, regionalism, and international trading arrangements, and were not marginalized. [3]

The majority of countries in the Western Hemisphere are small, and their participation in the Free Trade Area of the Americas (FTAA) is an issue that must be examined and accommodated in any hemisphere-wide political organization or economic integration arrangement. The complex issue of the integration of small economies into the FTAA must be addressed if all countries in the hemisphere are to participate in a way that is beneficial to both the countries and the process.

This paper examines the issues surrounding the integration of smaller economies into the FTAA. It makes recommendations on what constitutes a small economy and what measures are needed both to address the disparity in size between participating countries and to adequately take account of the characteristics of small economies. Part I examines the question of defining a small economy and discusses the implications of small size for economic growth and participation in trade arrangements with larger economies. Part II makes recommendations on how the interests and concerns of small economies can be incorporated into the design of the FTAA.

PART I

A. Defining a Small Economy

There is no single definition of a small economy; indeed, any definition in quantitative terms would be unscientific because size is a relative concept. The question of how to define a small economy is not a new one, and definitions have historically varied widely. A small economy is conceptualized as one that is a price-taker in the world market, that is, it cannot influence world prices for goods, services, and assets. This definition is too vague and all-encompassing, however, because even the largest, most developed economies are, in some situations, price-takers.

Definitions based on quantitative criteria vary considerably because they employ different criteria and exhibit a significant arbitrariness in the selection of cut-off points. Kuznets and Streeten used population as the criterion, selecting an upper limit of 10 million,[4] while Chenery and Syrquin used 5 million.[5] A recent U.N. ECLAC (U.N. Economic Commission for Latin America and the Caribbean) study chose gross national product (GNP) of less than $15 billion.[6] Demas opted for a population of 5 million or less and less than 20,000 square miles of usable land.[7] The extent of the arbitrariness can be reduced by examining a distribution of economies based on a particular quantitative measure and identifying a cluster at the small end of the spectrum.

Another problem is that the definition of a small economy or state may have to be revised over time if GNP or population is employed as the measure. For example, in 1985 the Commonwealth Secretariat used a population cut-off point of 1 million,[8] but by 1997 had revised the upper limit to 1.5 million.[9]

Various international organizations classify countries into categories according to selected indicators for operational and analytical purposes. The classifications used by international organizations mainly relate to per capita income levels, indicators of development status, and some selected concept of size. While the main classification criterion used by institutions such as the International Monetary Fund (IMF), the World Bank, and the United Nations for establishing country categories is that of per capita income levels, these institutions also classify countries by aggregate income levels, the types of goods exported (e.g. fuels, non-fuel primary products, manufactures, or services), and by fiscal structure. The World Bank also groups economies with populations fewer than 1 million in a separate table of the World Development Report. Along with basic economic indicators, particularly per capita income, the U.N. categorizes countries according to an additional human development indicator. This human development index (HDI) combines various economic and social indicators in order to achieve a more comprehensive measure of development.

Under the GATT system and now under the World Trade Organization (WTO), the principle of self-selection is applied, i.e., members themselves choose their development status. In their publications, however, the WTO follows the U.N. country classification, and for budget purposes also makes use of the income criterion adopted by the World Bank. Under the WTO classification, countries with less than U.S.$1,000 of per capita income may consider themselves as falling in the least developed category in terms of the obligations and disciplines set out in the Uruguay Round Agreement.

B. Indicators of Economic Size

The definition of small in relation to economic size is usually based on one or more of the following criteria: population, land area, and GDP. These indicators relate to the measurement of the magnitude of an economy in terms of its fundamental resources: human, land, and capital.

1. Population

The most commonly used indicator is the size of a country s population. Table 1 lists the populations of the countries of the Western Hemisphere, in ascending order, based on data from the IMF.

More than three-quarters of the people in the Western Hemisphere live in five countries; nine countries account for nearly 90 percent of the hemisphere s population. The largest economy in terms of population is over 6,000 times more populous than the smallest. Of the countries with less than 1.5 percent of the hemisphere s population, 15 are the islands of the Caribbean and the countries of Central America. Four South American countries Uruguay, Paraguay, Bolivia, and Ecuador also fall into this category. These South American countries are those which are considered relatively less-developed within their respective subregional integration schemes (MERCOSUR and the Andean Group). Thus, the countries that are shown here to be small in population terms correlate with those countries that are generally considered to be the smaller countries of the Western Hemisphere.

2. Land Area

A second commonly used indicator is the size of a country s territory. Land mass may be used as a proxy for both the amount and diversity of natural resources. Countries are listed in ascending order, with regard to their territorial size measured in square kilometers, in Table 2.

The five largest countries comprise over 82 percent of the territory of the hemisphere, and the 10 largest countries cover over 95 percent of the hemisphere s land. The largest country, Canada, is over 30,000 times larger than the aggregate land mass of the 15 smallest countries. With the exception of Bolivia, which is the eighth largest country in terms of land size, the smallest countries are the same as those in the population table: the countries of the Caribbean and Central America and the members of the LAIA (Latin American Integration Association) that are considered relatively less developed.

3. Gross Domestic Product

A third indicator of economic size, the level of gross domestic product (GDP), measures the aggregate wealth or output produced in an economy. GDP measures the magnitude of a country s domestic market, thereby offering some indications of the possible limitations to specialization of production and exploitation of economies of scale. The data used here is the level of GDP normalized for exchange rate fluctuations. GDP figures are expressed in 1990 U.S. dollars. Countries are listed in ascending order, from the smallest GDP to the largest, in Table 3.

The two largest countries comprise 85 percent of the hemisphere s GDP; the five largest, 96 percent; and the nine largest, 99 percent. The largest economy, which is 10 times larger than the second largest economy, is over 850 times larger than the aggregate GDP of the 10 smallest countries. The distribution of countries coincides almost exactly with that of the first two tables: countries that are small in terms of population and land size also tend to be small in terms of GDP. Thus, the same Caribbean and Central American countries, as well as the four smaller South American countries, have the lowest GDP.

Summary

Table 4 groups the three indicators of size into one table, and lists the countries, in ascending order, from smallest to largest, in each category. The information in Table 4 shows a strong overall correlation among the three indicators of size: the smallest countries in terms of population are also often those with the least land area and the lowest absolute levels of national product.

C. Characteristics of Small Economies

Small economies have certain characteristics, such as a high degree of openness, limited diversity in economic activity, export-concentration on one to three products, significant dependency on trade taxes, and small size of firms.

1. High Degree of Openness

Smaller economies are characterized by a high degree of openness, that is, external transactions are large in relation to total economic activity. Smaller economies tend to rely heavily on external trade as a means of overcoming their inherent scale limitations, i.e., a narrow range of resources and an inability to support certain types of production given the small scale of the market. Economic openness is measured by imports and exports of goods and services as a percentage of gross domestic product [(X+M)/GDP]. This measure indicates the proportion of the economy that is involved in external trade. The countries are listed in descending order, from the most to the least dependent on external trade, in Table 5.

Three of the largest countries in land area the United States, Argentina, and Brazil exhibit the lowest reliance on external trade and the least openness, with less than 5 percent trade/GDP. Canada, which is the largest territorial entity, the second largest in terms of GDP, and in the top six in terms of population, is the eighteenth most reliant on external trade. Chile, also not among the smallest in the previous three categories, is a very open economy, with a 57 percent trade/GDP ratio. Haiti, which is among the smallest in the other three categories, has a low dependence on trade because of poverty. Two other countries that are relatively small in terms of the size indicators Uruguay and Guatemala exhibit a relatively low dependence on trade. Otherwise, there appears to be a nearly perfect correlation between the countries of the Caribbean and Central America and high openness to trade: of the 12 countries that have trade dependency ratios of over 100 percent, 10 are from the Caribbean.

2. Limited Diversity and Export Concentration

The limited range of economic activity is mirrored in the small countries concentration on one to three exports, accompanied by a relatively high reliance on primary commodities. As shown in Table 6, most of the economies that exhibit the characteristics of small economies in Table 4 are relatively undiversified in terms of their exports. Furthermore, over one-quarter of their total exports are concentrated on one or two products. In extreme cases, one primary product export accounts for over 50 percent of exports, e.g., bananas in Dominica, St. Vincent, and St. Lucia.

3. Dependence on Trade Taxes

Smaller economies, which lack economic diversity, tend to have a high dependence on trade taxes as a percent of government revenue (see Table 7). Larger economies, as measured by population size, tend to rely more heavily on income taxes rather than on trade taxes (such as customs duties). This pattern is not related to income levels.[10] Those countries that are small in population, land, and GDP, and which depend heavily on external trade, also rely heavily on external trade taxes for government revenue. There is a relatively strong correspondence between the countries that could be considered small in Tables 1-4 and a high reliance on revenues from import duties. All of the Central American and Caribbean countries, with the exception of Barbados, El Salvador, St. Vincent, Trinidad and Tobago, and Panama, obtain more than 20 percent of their government revenues from trade taxes. Trade taxes account for more than one-half of government revenue in St. Lucia, Belize, and the Bahamas, and over one-third of government revenue in Guatemala and the Dominican Republic.

4. Small Size of Firms

It is firms not countries that conduct international trade, including a substantial amount of intra-firm transfers. Nationally owned firms from small countries are small both by global standards and by comparison with firms in large economies and multinational corporations owned by or based in large countries. Except for a few sectors where economies of scale are not a significant factor, size makes a significant difference in a firm s ability to survive and compete in the global marketplace. Small firms are at a disadvantage because they cannot realize economies of scale, are not attractive business partners, and cannot spend significant funds on marketing, market intelligence, and research and development.[11] Tables 8 and 9 highlight the huge difference between the top 20 companies in the United States and the top 20 companies in the English-speaking Caribbean. Wal-Mart, the largest employer in the United States, has a staff complement of 675,000 compared to the Caribbean s top employer, Lascelles Demercado (Jamaica), which employs 6,800. Total sales of General Motors is 328 times larger than that of Neal & Massey (Trinidad and Tobago). The seven largest U.S. companies each have sales revenue larger than the combined GDP of the 21 Caribbean and Central American countries.

D. Size and Development

A direct relationship cannot be established between size and development. More specifically, small economies exhibit a range of development levels, from relatively poor to highly developed, when using GDP per capita and the U.N. s human development index as indicators of level of development. Similarly, there is no direct correspondence between the size of economies and the levels of development among the countries that will comprise the FTAA.

1. GDP per Capita

The most widely used indicator of or proxy for development is GDP per capita, which converts the aggregate level of output into the monetary wealth per individual. There is no direct correlation between GDP per capita and indicators of economic size. Some of the countries that are small in terms of population, land, and level of aggregate national product rank high when ordered according to the level of GDP per person. The 10 countries with the highest per capita GDP include five of the islands of the Caribbean, while Colombia and Peru, which are relatively large in other indicators, rank relatively low on this list (see Table 10). Per capita GDP in the Bahamas which has only 0.16 percent of Brazil s land area is three times larger than Brazil s per capita GDP.

2. Index of Human Development

Along with basic economic indicators, the U.N. Development Program (UNDP) categorizes countries according to an additional human development indicator a basket measure of wealth, education, and health. The human development index (HDI) measures the average achievements in a country in three basic dimensions of human development life expectancy, educational attainment and literacy, and real GDP per capita (see Table 11). The country distribution in this table more closely reflects that of Table 6 than of Tables 1-4. Several of the countries considered small in population, land, and aggregate GDP terms rank high with regard to their level of education, health, and standard of living, while some of the larger countries occupy lower rankings in terms of this indicator. Among the 15 lowest-ranked countries, 12 would be considered small according to the criteria in Tables 1-4. In addition, of the top 10 countries, six are economies that are considered smaller in Tables 1-4.

3. Implications of Small Size

There is no direct correspondence between size and the level of development attained by a country, and no correlation between an economy s size and its growth rate.[12] This fact is often used as a basis for the erroneous proposition that size has no significant impact on growth or development. Srinivasan argues that many of the problems that small economies are alleged to confront are either not unique to them or can be adequately addressed through suitable policy measures. [13] However, more penetrating analyses have revealed that size is an additional dimension to economic growth and development which give these processes a qualitatively different character,[14] indeed, some have argued that small size is an additional constraint on growth.[15]

The implications of small size for growth and the capacity to adjust to economic change include the following.

1. Small economies have severe constraints on their material and labor inputs both in amount and variety, because of their limited land area and small populations. These constraints prevent the attainment of economies of scale for a wide range of products and lead to high unit costs of production. Small economies tend to have a narrower range of domestic and export production because of the small size of the market and the limited range of resources. Small market size also tends to cause high costs because there is often a lack of competition. In fact, in many instances the market can only support a single producer i.e., a monopoly.

2. There is a high degree of openness, that is, the trade/GDP ratio is high. Several important consequences follow from such a high degree of openness to trade. These include:
   (a) The overall domestic price level is dominated by movements in the price of imports. The prices of nontraded goods also tend to adjust rapidly through the impact of foreign prices on wage and other cost movements.
   (b) Exchange rate changes tend to produce immediate effects, similar to those of foreign price changes, on domestic prices.

3. The high degree of openness and the concentration in a few export products, particularly some primary products and agricultural commodities whose prices are subject to fluctuations in world markets, make small economies vulnerable to external economic events and expose small economies to real shocks of an intensity unparalleled in larger countries.[16] Economic vulnerability can be a feature of an economy of any size and level of development, but it is compounded by size, proneness to natural disasters,[17] and remoteness and insularity. In a recent study, Briguglio constructed a vulnerability index encompassing all three of these aspects.[18] His calculations, which are presented in Table 12, reveal a direct relationship between vulnerability and size, with the smallest countries being the most vulnerable. Canada, Brazil, Argentina, and the United States have vulnerability indexes of 0.2 or less, while Caribbean and Central American economies exceed 0.4. The 10 smallest economies range from 0.595 for Barbados to 0.843 for Antigua.

4. Trade theory as explained in textbooks assumes that (a) international trade takes place between countries in an environment of perfect competition, and (b) trade occurs because of differences in comparative advantage which in turn derive from differences in resource endowment or technology. In this scenario, all firms are price-takers each firm is too small to influence price in the world market. Therefore, international trade occurs because of differences between countries, but the size of a country does not matter. However, when taking into account economies of scale increasing returns due to increased scale the size of a country and the size of a firm become important considerations. When there are economies of scale, large firms have an advantage over small firms, resulting in imperfect markets, including oligopoly and even monopoly market situations.

   Small firms in small economies, especially small developing economies, are at a major disadvantage compared to large firms. Small firms can attain neither internal economies of scale (where unit cost is influenced by the size of firm) nor external economies of scale (where unit cost depends on the size of the industry, but not necessarily on the size of any one firm). A small economy, and thereby small industries (including export sectors), is unlikely to foster the competitive dynamic necessary for firms in small economies to achieve competitive advantage.[19] Competitive advantage is more likely to occur when the economy is large enough to sustain clusters of industries connected through vertical and horizontal relationships Krugman and Obsfeld warn that trade in the presence of external economies may not be beneficial to all countries, and it is possible that trade based on external economies may actually leave a country worse off than it would have been in the absence of trade.[20]

Small firms in small, developing countries have severe difficulties in attaining economies of scope, i.e., economies obtained by a firm using its existing resources, skills, and technologies to create new products and/or services for export. Exposure to global competition requires small firms to invest heavily just to survive in their national market, and more so in order to export. Larger firms are better able to generate new products and sources from existing organization and networks.[21] Very large firms, such as multinational corporations (MNCs), operate internationally in ways very different from small firms. Most of the trade of MNCs is intra-firm trade, rather than the traditional arm s length international trade conducted by smaller firms. It is estimated that intra-firm trade accounts for 50 percent of the trade of the United States,[22] and is also significant in developing countries.[23]

5. Small economies pay higher transportation costs[24] because of the relatively small volume of cargo, small cargo units, and the need for bulk breaking. Small economies pay an average of 10 percent of the value of merchandise exports as freight costs, compared to a 4.5 percent worldwide average and an 8.3 percent developing countries average.[25] Table 13 illustrated that small economies spend more on transportation and freight costs as a percentage of exports than large countries.

6. The public sector in small economies accounts for a larger share of GDP, which reflects a certain indivisibility of public administration structures and functions every country, no matter how small, has a prime minister, a parliament, a police force, etc. The growth of the public sector has been due in part to an enhanced role for public sector investment in the economy,[26] which, however, has been associated with reduced growth.[27]

7. Small economies have traditionally experienced export instability because they depend on a few primary product exports. It could be argued that many small economies, such as the Bahamas and Barbados, have reduced this export instability by shifting to services, particularly tourism and financial services. Some studies, however, have indicated that the change in export composition toward the service industry has been accompanied by higher instability in export earnings, as was the case in Jamaica.[28]

8. The undiversified economic structure of small economies translates into an adjustment process that is more difficult, larger relative to GDP, and of necessity slower than the adjustment process for larger economies.[29]

PART II

A. Small Economies in the FTAA

The Summit of the Americas Declaration of Principles, which launched the FTAA process, recognized that the formation of a free trade area among 34 countries would be a complex and unprecedented undertaking, particularly in view of the wide differences in the levels of development and size of the economies existing in our hemisphere. [30] Recognizing the need to address this issue in the FTAA s design, the heads of state and government committed the participating countries to facilitate the integration of the smaller economies and increase their level of development. [31]

Subsequent Ministerial Declarations have noted the necessity of facilitating the integration and the importance of increasing the opportunities for the smaller economies to participate fully in the FTAA in a manner that promotes their growth. This recognition reflects an extended debate about the characteristics of small economies and factors that affect their participation in the FTAA. For the Working Group on Smaller Economies, whose principal mandate is to identify and assess the factors affecting the participation of smaller economies in the FTAA and the expansion of trade and investment stimulated therefrom, this is a core issue.

One of the issues that proved difficult was defining a small economy. This is not surprising: within the extensive literature and among the international organizations, the definition of a small economy has not been empirically determined in a universally accepted manner, and it is widely accepted that no single indicator can fully describe a country s size. This dilemma was recognized by the heads of state and government when they referred to the concerns of smaller economies rather than small economies.

The FTAA Working Group on Smaller Economies held eight meetings since it was first convened in Kingston, Jamaica, in August 1995. The activities of the Working Group were supported by the technical expertise of the Organization of American States (OAS), the Inter-American Development Bank (IDB), U.N. ECLAC, the World Bank, and the Sistema Economico Latinamericano. The discussions in the Working Group also benefitted from submissions by the governments of CARICOM and Central America, as well as from a study by a group of independent experts.[32] The Working Group completed its deliberations in September 1997, after having executed its work program. The work program included the following:

1. Preparation of a bibliography of existing studies on smaller economies.[33]

2. Examination of the current treatment of smaller economies in integration systems, including:
   (a) a survey of existing international, regional, and subregional agreements and arrangements to assess their treatment of smaller economies, e.g., transitional measures; and
   (b) a comparative compendium of the treatment of smaller economies in such agreements and arrangements.[34]

3. Identification of the characteristics of smaller economies that could affect their effective participation in the FTAA.[35]

4. Evaluation of the effect of an economy s size on trade liberalization and economic growth.[36]

5. Identification of the specific problems faced by smaller economies that might affect their integration into the FTAA,[37] e.g., technical barriers to trade, lack of transparency, inadequate human and financial resources, lack of physical infrastructure and transport, fiscal dependence of smaller economies on tariff revenues, external debt, and participation of small and medium enterprises.

6. Examination of opportunities to facilitate the integration of the smaller economies and to increase their level of development:
   (a) identifying the internal adjustments that smaller economies might undertake to prepare for full participation in a hemispheric free trade area,[38] and

   (b) identifying the mechanisms and measures that might be considered to facilitate the participation of smaller economies in the integration process, e.g., the pace of the process.[39]

7. Evaluation of the technical assistance requirements of smaller economies[40] to (a) facilitate their participation in the FTAA process, and (b) ensure their integration in the FTAA.

8. Examination of the need for and feasibility of a regional integration fund.[41]

B. Participation in the Negotiation Process

As stated in the Summit of the Americas Declaration of Principles, and reiterated in the Denver Ministerial Joint Declaration, one of the main objectives of the FTAA negotiations should be to provide opportunities to facilitate the integration of the smaller economies and to increase their level of development. This mandate reflects the insistence of the Caribbean and Central American governments that small economies do not suffer adverse consequences from participation along with larger, and in some cases more developed, economies in the FTAA. The Working Group on Smaller Economies was established to ensure that this issue was kept under review and recommendations made.

Small economies constitute the majority of the FTAA participants and are a particular genre of national economy: their concerns must be kept under continuous review during the negotiating stage of the FTAA. Given the uniqueness of the subject matter, it does not seem appropriate for the Working Group on Smaller Economies to transform itself into a negotiating group during the negotiation phase of the FTAA process. There is a need, however, to devise an appropriate mechanism that will periodically review and assess the negotiation process from the standpoint of the smaller economies. This could be achieved by:

1. Placing the issue of small economies permanently on the agenda of the body that will have the

main responsibility with regard to the negotiating process.

2. Establishing a consultative or advisory committee of smaller economies with formal lines of reporting within the negotiation process.
   (a) The function of a consultative or advisory committee would be to:
      (i) follow the FTAA process, keeping under review the concerns and interests of the small economies;
      (ii) bring issues of concern to the smaller economies and proposals to address these issues to the attention of the supervisory body of the negotiations; and
      (iii) provide a forum for small economies to discuss the negotiations as a whole.
   (b) The rationale for the committee would be to:
      (i) ensure a forum to permit (as far as possible) a common position of this constituency. Such a forum would simplify and expedite the negotiations because it could reduce the number of negotiating positions and perspectives.
      (ii) provide the principle institutional forum in which many of the small countries to participate in the FTAA negotiations. Many small countries cannot afford to attend all the meetings during the FTAA process because of the duration of the negotiations (possibly even beyond the projected deadline of 2005), the number of meetings, and the multiple locations of meetings. Therefore, the consultative or advisory committee would likely be the forum in which these countries would participate. This procedure was employed by the African countries during the Uruguay Round negotiations, and proved to be both cost-saving and successful for the African countries. It also contributed to the overall negotiation process.

         The consultative or advisory group would meet at specific intervals to evaluate the progress within the FTAA process with regard to the smaller economies. For example, periodic reviews could be held to assess the work done to take into account the needs and interests of the smaller economies and to make recommendations where and when necessary.

3. Ensuring that adequate technical assistance is provided to smaller economies. Technical assistance is needed to strengthen the smaller economies participation in the negotiations and to increase their capability to implement the objectives and disciplines of the FTAA. Smaller economies should make their needs known and identify the specific areas in which they will require technical assistance, and the FTAA process should include a mechanism for the provision of such technical assistance. Technical assistance could be made available from multilateral institutions and bilaterally.

4. Agreeing on the general principles which will guide the negotiations in all areas under consideration in the FTAA. These tenets must include the following:
   (a) Participation in the negotiations must be open to all countries that are participating in the FTAA process.
   (b) Negotiations will be transparent.

(c) Decisions will be made on a consensus basis.
(d) The outcome of the negotiations will constitute a comprehensive, single undertaking that embodies the rights and obligations mutually agreed upon.
(e) The results of the negotiations will be consistent with the WTO.
(f) Countries may participate individually or as groups, whether as members of subregional trade agreements (e.g., MERCOSUR) or by commonality of interests (e.g., small economies).
(g) In their deliberations, negotiators will take into account the needs and circumstances of the smaller economies.[42]

C. Recommendations for Integrating Small Economies

Every effort should be made to ensure that the FTAA is truly hemispheric, including each country regardless of its size. In order to integrate smaller economies, the following measures are recommended:

1. Smaller economies should have the ability to negotiate as a group, if they so desire, so that they can pool scarce human and material resources.[43]

2. Smaller economies in particular should consider early implementation, to the extent possible, of internal adjustments such as stable macroeconomic policies and measures to promote a business climate that encourages local and foreign investment.

3. In the negotiating stage of the FTAA, the smaller economies may require additional assistance with respect to the issues under negotiation.

4. Smaller economies should examine their special vulnerabilities and needs, with a view to formulating specific requests for technical assistance.

5. The proposals for the negotiations and construction of the FTAA should recognize the vital importance of technical assistance and technical cooperation, depending on the country s requirements, for full and effective integration of smaller economies into the FTAA. This would include measures to:
   (a) develop appropriate legislation;
   (b) strengthen national institutions and agencies; and
   (c) conduct public workshops on key issues in the WTO and related international organizations, and possibly the FTAA.

6. The needs of smaller economies, both in terms of technical assistance and in measures to facilitate their implementation of an FTAA, should form part of the work program of each negotiating group that will ultimately be established.

7. Negotiations and other consultations should be organized in a manner that economizes on human and financial resources.

8. Measures that may be accorded or negotiated to facilitate the participation of the smaller economies in the FTAA process should be transparent, simple, and easily applicable, yet should recognize the degree of heterogeneity among them.

9. The FTAA s rights and obligations will be shared by all countries. In order to provide opportunities to facilitate the integration of the smaller economies into the FTAA, various measures could be included during the negotiations, on a case by case basis. Such measures could include technical assistance in specific areas such as intellectual property and technical standards; rules of origin and customs documentation, which should be as simple, clear, and transparent as possible for all FTAA countries; longer periods for implementing obligations; and the possibility of implementation at the regional or subregional level to save on scarce human and financial resources (e.g., technical standards bodies).

10. In the design of the FTAA, efforts should be made to reduce the transitional costs and minimize internal dislocation in the smaller economies. Smaller countries should be expected to implement all the provisions contained in the FTAA. However, suitable transitional arrangements (in the form of longer periods for the implementation of general rules and disciplines applicable to all) must be designed for those smaller economies that are not yet ready for immediate and full assumption of FTAA provisions, having not yet attained the levels of development or liberalization commensurate with the far-reaching obligations that are likely to be part of the FTAA. This asymmetrically-phased assumption of universally applicable obligations and disciplines[44] is compatible with the evolving environment in which trade relations between larger and more developed countries and smaller developing nations has been taking place, both at the multilateral level (as was the case in the Uruguay Round) and in the context of regional and subregional trade arrangements in the Western Hemisphere. It is not desirable to apply special and differential treatment [45] to all countries across all sectors and products. All economies will need differentiated treatment on some products and in regard to some sectors. The application of this principle will provide the flexibility necessary to accommodate the concerns of smaller economies.

D. Preparing for the FTAA

Smaller economies should view the FTAA as part of their global strategic repositioning plans.[46] The objective of smaller economies should be to reposition themselves in the global economy by proactive strategic adjustment in anticipation of, and in response to, global changes in demand and technology. Such plans must be designed to consolidate and improve existing production lines while reorienting the economy toward new types of economic activity aligned to global trends. Among other things, this includes producing what is demanded globally; pursuing structural transformation to achieve economic diversification; revitalizing traditional exports (i.e. looking downstream in traditional commodity production); and modernizing international marketing techniques to keep abreast of world demand.[47] Smaller economies must undertake global strategic repositioning in response to developments such as globalization. In addition to helping them avoid becoming marginalized from the world economy, this repositioning will allow them to better prepare for, participate more effectively in, and better benefit from the FTAA. FTAA participation, in turn, can act as a catalyst for the adoption of global strategic repositioning policies by smaller states.[48]

Conclusions

Unless the issue of integrating smaller economies into the FTAA is addressed, there will not be a genuine FTAA. Smaller economies make up the majority (25 by some estimates) of the countries in the hemisphere, and their absence would preclude a seamless, hemispheric economic space. There is no single, universally accepted method for classifying economies as small or large: different methods yield different definitions of a small economy.

The information presented in Tables 1-4 leads to the conclusion that certain countries in the Western Hemisphere most often exhibit the characteristics usually associated with being small. These are the countries of the Caribbean and Central America. It is suggested, therefore, that when dealing with the issue of small country integration into the FTAA process, smaller economies be thought of as the countries of the Caribbean and Central America, as well as those other countries that consider themselves small and expressly declare their status as such. In permitting self-selection, the FTAA would be following an approach applied in the GATT and the WTO, whereby members select their own development status.

Special measures will have to be included in the design of the FTAA to accommodate small economies and allow their full participation. The necessity for these measures arises from the characteristics of small economies and the implications of these characteristics for the growth and development of this type of economy. Certain principles, as well as the availability of technical assistance, will ensure meaningful participation by small economies in the negotiation process. The FTAA must include appropriate treatment of small economies based on the principle of differentiated treatment. This will permit a process of asymmetrically-phased assumption of disciplines in which small economies must have longer adjustment periods. Meanwhile, given their high degree of openness, undiversified structure, and export concentration, small economies must immediately commence a preparatory process of strategic global repositioning.

About the Author

Dr. Richard L. Bernal has been Jamaica s ambassador to the United States and permanent representative to the Organization of American States since 1991. He is chairman of the Working Group on Smaller Economies in the Free Trade Area of the Americas Process, and is Jamaica s representative on the Special Trade Committee of the OAS, Committee for Hemispheric Financial Issues, and the Working Group on Services in the FTAA. He is also chairman of CARICOM s Working Group on the FTAA. Amb. Bernal was in charge of the economic aspects of the U.S./CARICOM Summit in Barbados, and led the CARICOM delegation in the U.S./CARICOM Trade and Investment Council meeting in September 1997. Prior to his present assignment, he was chief executive of a commercial bank. He has served the government of Jamaica in various capacities in the Central Bank, the Planning Institute, and the Ministry of Finance, and has been involved in the formulation and implementation of Jamaica s debt management, structural adjustment, and international trade policies. He is the author of numerous publications, including *Paths to the Free Trade Area of the Americas* (CSIS, 1997). Amb. Bernal holds a B.Sc., M.A., and Ph.D. in economics and an M.A. in international public policy.

Table 1. Population of the Countries of the Western Hemisphere
(millions of inhabitants and share of total Western Hemisphere population)

Western Hemisphere Countries	Population (millions) 1995	Share	Western Hemisphere Countries	Population (millions) 1995	Share
Western Hemisphere	**757.09**				
St. Kitts & Nevis	0.04	0.01%	Paraguay	4.83	0.64%
Antigua & Barbuda	0.06	0.01%	El Salvador	5.64	0.74%
Dominica	0.07	0.01%	Honduras	5.95	0.79%
Grenada	0.09	0.01%	Haiti	7.18	0.95%
St. Vincent & Grens.	0.11	0.01%	Bolivia	8.06	1.06%
St. Lucia	0.14	0.02%	Dominican Republic	7.91	1.04%
Belize	0.21	0.03%	Guatemala	10.62	1.40%
Barbados	0.26	0.03%	Ecuador	11.46	1.51%
Bahamas	0.27	0.04%	Chile	14.20	1.88%
Suriname	0.42	0.06%	Venezuela	21.64	2.86%
Guyana	0.82	0.11%	Peru	23.53	3.11%
Trinidad & Tobago	1.26	0.17%	Canada	29.61	3.91%
Jamaica	2.53	0.33%	Argentina	34.59	4.57%
Panama	2.63	0.35%	Colombia	35.10	4.64%
Uruguay	3.19	0.42%	Mexico	94.78	12.52%
Costa Rica	3.07	0.41%	Brazil (1995 data)	159.22	21.03%
Nicaragua	4.54	0.60%	United States	263.06	34.75%

Source: International Monetary Fund

Table 2. Land Area of the Countries of the Western Hemisphere
(in thousands square kilometers)

Western Hemisphere Countries	Area	Percent of Western Hemisphere	Western Hemisphere Countries	Area	Percent of Western Hemisphere
Western Hemisphere	**40,092.10**				
Barbados	0.3	Less than 0.05	Honduras	112	0.3
Grenada	0.3	Less than 0.05	Nicaragua	130	0.3
St. Kitts & Nevis	0.3	Less than 0.05	Suriname	163	0.4
Antigua & Barbuda	0.4	Less than 0.05	Uruguay	177	0.4
St. Vincent & Grens.	0.4	Less than 0.05	Guyana	215	0.5
St. Lucia	0.6	Less than 0.05	Ecuador	284	0.7
Dominica	0.7	Less than 0.05	Paraguay	407	1.0
Trinidad & Tobago	5	Less than 0.05	Chile	757	1.9
Jamaica	11	Less than 0.05	Venezuela	912	2.3
Bahamas	14	Less than 0.05	Bolivia	1,099	2.7
El Salvador	21	0.1	Colombia	1,139	2.8
Belize	23	0.1	Peru	1,285	3.2
Haiti	28	0.1	Mexico	1,958	4.9
Dominican Republic	49	0.1	Argentina	2,767	6.9
Costa Rica	51	0.1	Brazil	8,512	21.2
Panama	76	0.2	United States	9,809	24.5
Guatemala	109	0.3	Canada	9,976	24.9

Source: World Bank, *World Development Report* 1995
Note: The first three countries listed, Barbados, Grenada, and St. Kitts and Nevis, all have roughly the same land mass (about 300 sq. km) and are listed alphabetically. The same is true for Antigua & Barbuda and St. Vincent and the Grenadines, each with an area of about 400 sq. km.

Table 3. GDP of the Countries of the Western Hemisphere
(in millions of constant 1990 U.S.$)

Western Hemisphere Countries	1995 GDP	Percent Share	Western Hemisphere Countries	1995 GDP	PercentS hare
Western Hemisphere	**7,983,068**				
St. Kitts & Nevis	150	Less than 0.05	Panama	6,570	0.08
Dominica	178	Less than 0.05	Paraguay	7,177	0.09
Grenada	229	Less than 0.05	Costa Rica	7,027	0.09
St. Vincent & Grens.	218	Less than 0.05	El Salvador	6,674	0.08
Guyana	602	Less than 0.05	Dominican Republic	7,341	0.09
Antigua & Barbuda	366	Less than 0.05	Guatemala	9,706	0.12
St. Lucia	509	Less than 0.05	Uruguay	11,431	0.14
Suriname	334	Less than 0.05	Ecuador	15,132	0.19
Belize	491	Less than 0.05	Peru	47,618	0.60
Nicaragua	2,590	Less than 0.05	Chile	48,326	0.61
Barbados	1,717	Less than 0.05	Colombia	56,379	0.71
Bahamas	3,053	Less than 0.05	Venezuela	64,980	0.81
Haiti	1,642	Less than 0.05	Argentina	196,949	2.47
Honduras	3,378	Less than 0.05	Mexico	250,936	3.14
Jamaica	4,171	0.05	Brazil	432,433	5.42
Trinidad & Tobago	5,707	0.07	Canada	608,658	7.62
Bolivia	6,496	0.08	United States	6,173,900	77.34

Sources: World Bank, Inter-American Development Bank

Table 4. Summary: Countries of the Western Hemisphere

Rank	Population	Land Size	GDP
34	St.Kitts & Nevis	Barbados	St. Kitts & Nevis
33	Antigua & Barbuda	Grenada	Dominica
32	Dominica	St. Kitts & Nevis	Grenada
31	Grenada	Antigua & Barbuda	St. Vincent & Grenadines
30	St. Vincent & Grenadines	St. Vincent & Grenadines	Guyana
29	St. Lucia	St. Lucia	Antigua & Barbuda
28	Belize	Dominica	St. Lucia
27	Barbados	Trinidad & Tobago	Suriname
26	Bahamas	Jamaica	Belize
25	Suriname	Bahamas	Nicaragua
24	Guyana	El Salvador	Barbados
23	Trinidad & Tobago	Belize	Bahamas
22	Jamaica	Haiti	Haiti
21	Panama	Dominican Republic	Honduras
20	Uruguay	Costa Rica	Jamaica
19	Costa Rica	Panama	Trinidad & Tobago
18	Nicaragua	Guatemala	Bolivia
17	Paraguay	Honduras	Panama
16	El Salvador	Nicaragua	Paraguay
15	Honduras	Suriname	Costa Rica
14	Haiti	Uruguay	El Salvador
13	Bolivia	Guyana	Dominican Republic
12	Dominican Republic	Ecuador	Guatemala
11	Guatemala	Paraguay	Uruguay
10	Ecuador	Chile	Ecuador
9	Chile	Venezuela	Peru
8	Venezuela	Bolivia	Chile
7	Peru	Colombia	Colombia
6	Canada	Peru	Venezuela
5	Argentina	Mexico	Argentina
4	Colombia	Argentina	Mexico
3	Mexico	Brazil	Brazil
2	Brazil	United States	Canada
1	United States	Canada	United States

Source: Tables 1-3

Table 5. Countries in the Western Hemisphere: Trade Openness Ratios

(Exports and Imports of Goods and Services as Percent of GDP)

Western Hemisphere Countries	Exports as % of GDP 1995	Imports as % of GDP 1995	Trade as % GDP	Western Hemisphere Countries	Exports as % of GDP 1995	Imports as % of GDP 1995	Trade as % GDP
Western Hemisphere	**30**	**34**	**64**				
Panama	100	104	204	Trinidad & Tobago	44	28	72
Guyana	88	104	192	El Salvador	21	38	59
Antigua & Barbuda	89	84	174	Chile	29	27	57
St. Lucia	65	83	147	Dominican Republic	27	29	56
St. Kitts & Nevis	60	73	133	Ecuador	29	27	56
Jamaica	60	68	128	Bolivia	22	28	49
St. Vincent & Grens.	54	69	123	Venezuela	26	20	46
Dominica	45	68	113	Mexico	24	21	45
Belize	51	56	107	Guatemala	17	26	43
Grenada	50	55	105	Uruguay	19	20	39
Bahamas	44	56	100	Colombia	17	20	37
Barbados	49	47	96	Peru	12	16	28
Nicaragua	34	56	90	Haiti	10	17	27
Honduras	40	46	86	Suriname	13	16	26
Costa Rica	41	43	84	United States	11	13	24
Paraguay	35	47	83	Brazil	9	7	16
Canada	37	35	72	Argentina	7	9	16

Source: International Monetary Fund

Note: This table shows trade in goods and services as a percentage of GDP. The inclusion of services elevates the percentage to a higher level than often seen in traditional trade ratio tables.

Table 6. Diversity of Production Structures and Export Concentrations

Western Hemisphere Countries	% of total Merchandise Exports (1993)			Share of major commodities in total merchandise exports (15% and above) (1990-91)	Share of major commodities in world commodity exports (1990-91)
	Manuf-actures	Fuels, minerals metals	Other primary product		
Canada	67	17	17	Diversified	-
Mexico	55	34	13	Crude petroleum: 30%	4.2%
United States	85	4	14	Diversified	-
Chile	21	43	38	Metal Ores: 32%	14.3%
Argentina	35	11	57	Diversified	-
Brazil	64	12	28	Diversified	-
Paraguay	40	0	83	Cotton: 29.8%; Seeds for oil: 20%	Cotton:3.6%; Seeds for oil 2.2%
Uruguay	71	0	57	Wool: 15.9%	5.4%
Bolivia	22	56	25	Gas natr & mfg: 37.8%; Tin: 16.6%;Zinc:28.4%	Gas ntr & mfg:0.7%;Tin:7.8%;Zinc:8.2%
Colombia	50	26	34	Coffee: 19.8%; Crude petrol	Coffee: 16.1%; Crude petrol:0.7%
Ecuador	9	42	50	Crude petrol: 38.5%; Bananas: 21.8%	Crude petrol: 0.6%; Bananas:21%
Peru	28	50	33	Copper: 19.6%; Metal ores: 15.4%	Copper: 3.1%; Metal ores: 3.6%
Venezuela	14	83	3	Crude petrol: 78.6%	5.7%
Costa Rica	38	1	66	Bananas: 28.4%; Coffee: 15%	Bananas: 15.8%;Coffee: 3%
El Salvador	48	3	49	Coffee: 26.1%	1.4%
Guatemala	36	2	68	Coffee: 15.5%	3.6%
Honduras	16	3	83	Bananas: 24.4%; Coffee: 17.9%	Bananas:6.5%;Coffee:1.7%
Nicaragua	19	3	90	Coffee: 19.8%; Meat: 17.6%	Coffee: 0.7%; Mfg: 0.2%
Panama	21	3	81	Diversified	-
Bahamas	69	19	11	Fuels: 16.8%	
Barbados	19	1	46	Sugar: 20.3%; Petrol prod: 18.6%	Sugar: 0.3%; Petrol prod: 0.03%
Belize	16	0	81	Sugar: 32.4%; Fruits: 15.1% (Bananas: 7..3%)	Sugar: 0.4%; Fruits: 0.2%(Bananas:0.3%)
Guyana	7	32	59	Bauxite: 23.8%; Sugar 20.1%	Bauxite: 9%; Sugar: 0.7%
Jamaica	74	12	22	Metal ores:65.7%(Alumina:47.6%; Bauxite:9.9%)	Metal ores: 4.6%(Alumina:12.3%;Bauxite12.9%)
Suriname	68	10	22	Alumina: 94%	7.9%
Trinidad & Tobago	36	58	8	Crude & petrol prod: 80%	1.1%
Antigua & Barbuda	49	22	17	Diversified	-
Dominica	10	0	87	Bananas: 55.2%;Soap 20.7%	Bananas: 1%; Soap: 0.2%
Grenada	32	0	66	Bananas: 15%	0.1%
St. Kitts & Nevis	54	0	44	Sugar: 41%	0.3%
St. Lucia	27	0	73	Bananas: 56%	2.2%
St. Vincent & Grens.	18	3	79	Bananas: 48%	1.2%
Dominican Republic	52	6	41	Metal ores: 42%; Sugar: 26%	Metal ores: 1.6%; Sugar:1.4%
Haiti	84	1	13	Under garments 25.5%	0.2%

Notes :
For columns 1 and 2:
Source: World Bank: World Development Report 1995, OAS Trade Unit.
Manufactures consist of machinery, transportation equipment, textile fibers, textiles, clothing and other manufactures.
For columns 3 and 4:
Sources: United Nations Handbook of International Trade and Development Statistics (UNCTAD,1993), and Commodity Yearbook (UNCTAD, 1994); International Monetary Fund International Financial Statistics Yearbook 1994.Diversified indicates that no single commodity group share is above 15% of country exports.

Table 7. Trade Taxes as Percentage of Government Revenue (1994)

Western Hemisphere Countries	Trade Taxes as % Govt. Revenue	Western Hemisphere Countries	Trade Taxes as % Govt. Revenue

Western Hemisphere			
St. Lucia	55.1	Haiti	17.7
Belize	51.0	Barbados	15.7
Bahamas	50.6	Ecuador	14.3
Guatemala	37.3	Paraguay	12.5
Dominican Republic	33.6	Guyana	11.6
St. Kitts & Nevis	29.5	Peru	11.4
Honduras	27.7	Panama	9.8
Suriname	24.3	Venezuela	9.1
Jamaica	23.6	Chile	8.4
Colombia	23.2	Trinidad & Tobago	8.1
Antigua & Barbuda	22.0	Bolivia	7.0
Grenada	21.6	Uruguay	6.9
Costa Rica	21.3	Argentina	6.0
Nicaragua	20.4	Mexico	5.9
Dominica	20.1	Brazil	2.0
El Salvador	17.9	Canada	1.6
St. Vincent & Grens.	17.7	United States	1.5

Data are for the Central Government; for Argentina and Mexico data are for the Federal Governments.
Source: IMF, Government Finance Statistics Yearbook 1996 and Organization of Eastern Caribbean States Secretariat.

Table 8. Top 20 Public Companies in the United States and the Caribbean*
(by employment, 1996-97)

Employment Comparison					
Rank	**U.S. Company**	**Employees**	**Employees**	**Caribbean Company**	**Rank**
1	Wal-Mart Stores, Inc.	675,000	6,800	Lascelles Demercado (Ja)	1
2	General Motors Corp	647,000	6,000	Neal & Massey (T&T)	2
3	Pepsico, Inc	486,000	5,000	Jamaica Producers Group (Ja)	3
4	Ford Motor Co	371,702	4,500	TeleCom of Jamaica (Ja)	4
5	UPS of America	336,000	4,435	Ansa McAl Ltd (T&T)	5
6	Sears, Roebuck & Co	335,000	4,355	NCB Group (Ja)	6
7	Columbia/HCA Healthcare Group	285,000	2,783	Goddard Enterprises (B dos)	7
	Kmart Corp		2,700	Grace Kennedy (Ja)	8
8	International Business Machines	275,000	2,500	Barbados Shipping & Trading	9
9	General Electric Co	268,648		(B dos)	
10	McDonald s Corp	239,000	2,323	Royal Bank of T&T (T&T)	10
11	J C Penney, Inc	237,000	2,161	Republic Bank Ltd (T&T)	11
12	Marriot International	205,000	1,591	Bank of Nova Scotia (Ja)	12
13	Lockheed Martin Corp	192,000	1,572	Banks DIH Ltd (B dos)	13
14	United Technologies Corp	190,000	1,500	Desnoes & Geddes (Ja)	14
15	The Kroger Co	173,800	1,300	Life of Jamaica Ltd (Ja)	15
16	Philip Morris Companies, Inc	160,000	1,100	Atlantic Network Inc.(St. Croix)	16
17	ARAMARK Corp	154,000	1,100	Demerara Distillers Ltd (Guyana)	17
18	The Boeing Co	150,000		First Citizens Bank Ltd (T&T)	
19	Dayton Hudson Corp	143,000	1,022	Bank of Commerce (T&T)	18
20		141,700	1,000	Bank of Nova Scotia (T&T)	19
			884		20

Source: Fortune 500, STP 500, Business Week, March 24,1997 and the Caribbean s Top 100 Public Companies (Bridgetown: Caribbean Communications, Inc. 1996).
* Caribbean refers to the English-speaking Caribbean. The large firms of large countries and multinational corporations are bigger than many small countries, as their total sales and employment exceed the GDP and population of the small countries.

Table 9. Top 20 Public Companies in the United States and the Caribbean*
(by sales, 1996-97)

Sales Comparison					

Rank	U.S. Company	Sales (million U.S.$)	Sales (million U.S.$)	Caribbean Company	Rank
1	General Motors Corp	164,068.9	500.0	Neal & Massey (T&T)	1
2	Ford Motor Company	146,991.0	326.3	Ansa McAl Ltd (T&T)	2
3	Exxon Corp	119,660.0	312.4	Grace Kennedy & Co (Ja)	3
4	WalMart Stores, Inc	104,859.0	293.7	NCB Group (Ja)	4
5	Mobil Corp	80,781.9	250.0	TeleComm of Jamaica (Ja)	5
6	Royal Dutch Petroleum	76,988.0	243.5	Jamaica Producers Group (Ja)	6
7	International Business Machines	75,047.0	229.0	Barbados Shipping & Trading(B dos)	7
8	Chrysler	59,333.0		Atlantic Tele-Network (St.Croix)	
9	Philip Morris	54,553.0	184.6	Trinidad & Tobago Unit	8
10	AT&T	52,184.0	169.2	TrustCorp(T&T)	9
11	Texaco, Inc	45,500.0		Bank of Nova Scotia (Ja)	
12	Dupont	43,810.0	165.8	Goddard Enterprises (B dos)	10
13	Hewlett-Packard	39,427.0	159.0	Lascelles Demercado (Ja)	11
14	Sears, Roebuck	38,236.0	138.4	Republic Bank Ltd (T&T)	12
15	Chevron	37,580.0	128.4	Desnoes & Geddes (Ja)	13
16	Procter & Gamble	35,212.0	117.9	Jamaica Broilers Group (Ja)	14
17	Amoco	32,150.0	108.9	Barbados External Telecom (B dos)	15
18	PepsiCo, Inc	31,645.0	91.2	Barbados Light & Power(B dos)	16
19	Kmart	31,437.0	86.7	Little Switzerland, Inc(St. Thomas)	17
20	Citicorp	28,818.0	80.0	Carib Cement Co (Ja)	18
			62.43	Jamaica Flour Mills Ltd(Ja)	19
			58.54		20

Source: Fortune 500, STP 500, Business Week. March 24, 1997 and the Caribbean s Top 100 Public Companies (Bridgetown: Caribbean Communications, Inc. 1996).
*Caribbean refers to the English-speaking Caribbean.

Table 10. Per Capita GDP for the Countries of the Western Hemisphere
(in U.S.$)

Country	GDP/Capita (U.S.$) 1995	Country	GDP/Capita (U.S.$) 1995
Western Hemisphere (average)	**3,918**		
Guyana	351	Belize	2,434
Nicaragua	357	Panama	2,583
Haiti	450	Dominica	2,681
Honduras	577	Venezuela	2,835
Bolivia	775	Brazil	3,018
Dominican Republic	1,079	St. Lucia	3,038
Guatemala	1,107	Chile	3,073
Ecuador	1,174	Trinidad & Tobago	3,725
Suriname	1,205	Mexico	3,747
El Salvador	1,320	Uruguay	3,913
Jamaica	1,392	St. Kitts & Nevis	4,512
Colombia	1,405	Barbados	6,231
Peru	1,492	Antigua & Barbuda	6,343
Paraguay	1,504	Argentina	7,288
St. Vincent & Grens	2,127	Bahamas	11,500
Costa Rica	2,155	Canada	20,668
Grenada	2,407	United States	24,752

Source: World Bank

Table 11. Human Development Index for the Countries of the Western Hemisphere

Country	HDI (index)	Country	HDI (index)
Western Hemisphere (average)	**0.780**		

Haiti	0.338	St. Lucia	0.838
Nicaragua	0.530	Grenada	0.843
Guatemala	0.571	Colombia	0.848
Honduras	0.575	St. Kitts & Nevis	0.853
Bolivia	0.589	Venezuela	0.861
El Salvador	0.592	Panama	0.864
Guyana	0.649	Dominica	0.873
Paraguay	0.706	Trinidad & Tobago	0.880
Peru	0.717	Uruguay	0.883
Dominican Republic	0.718	Argentina	0.884
Jamaica	0.736	Costa Rica	0.889
Ecuador	0.775	Chile	0.891
Brazil	0.783	Antigua & Barbuda	0.892
Suriname	0.792	Bahamas	0.894
Mexico	0.804	Barbados	0.907
Belize	0.806	United States	0.942
St. Vincent & Grenadines	0.836	Canada	0.960

Source: United Nations Development Program

Table 12. Vulnerability Index for the Countries of the Western Hemisphere

COUNTRY*	SCORE	RANK
Antigua & Barbuda	0.843	1
St. Kitts & Nevis	0.733	2
St. Lucia	0.715	3
St. Vincent	0.649	4
Grenada	0.635	5
Bahamas	0.633	6
Jamaica	0.631	7
Belize	0.611	8
Dominica	0.600	9
Barbados	0.595	10
Guyana	0.519	11
Dominican Republic	0.512	12
Panama	0.503	13
Haiti	0.461	14
Paraguay	0.458	15
Bolivia	0.450	16
El Salvador	0.432	17
Honduras	0.428	18
Trinidad & Tobago	0.416	19
Guatemala	0.409	20
Chile	0.377	21
Surinam	0.368	22
Ecuador	0.349	23
Colombia	0.292	24
Uruguay	0.261	25
Mexico	0.254	26
Peru	0.240	27
Canada	0.204	28
United States	0.159	29
Argentina	0.157	30
Brazil	0.110	31

Source: Lino Briguglio, Small Island Developing and Their Economic Vulnerabilities, *World Development*, Vol. 2-3. No.9,(1995), pages 1615-1632.

* The index was not calculated for all the 34 countries that are prospective members of the FTAA.

Table 13. Transport and Freight Costs as a Percentage of Merchandise Exports (1987-1989)

Country	Percentage	Rank
Antigua & Barbuda	83.24	1
Barbados	46.03	2
St. Kitts and Nevis	35.65	3
Bahamas	32.21	4
Haiti	29.09	5
Jamaica	23.46	6
Bolivia	20.82	7
St. Lucia	20.26	8
Belize	17.34	9
St. Vincent	16.46	10
Paraguay	14.13	11
Guatemala	13.16	12
Dominica	12.93	13
Guyana	10.26	14
El Salvador	10.04	15
Honduras	8.65	16
Peru	6.50	17
Colombia	4.67	18
Panama	4.56	19
Mexico	3.79	20
United States	3.72	21
Uruguay	3.39	22
Brazil	2.27	23
Canada	1.01	24

Source: Lino Briguglio, Small Island Developing and Their Economic Vulnerabilities, *World Development*, Vol. 2-3. No. 9, (1995), pages 1615-1632.

Endnotes

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1. The issue of the number and size of countries is increasingly being discussed. See Alberto Alesina and Enrico Spolaore, On the Number and Size of Nations, *Quarterly Journal of Economics*, Vol. CXII, No. 4 (November, 1997), pp. 1027-1056.
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